EXAMINING FACTORS AFFECTING PARTICIPATION OF LOCAL SMEs IN EXPORT MARKETS: A CASE STUDY CLOTHING AND FOOD PROCESSING

BY

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A Dissertation submitted in partial fulfillment of the requirement for the degree of Master of Business Administration in Corporate Management of Mzumbe University

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for the acceptance by the Mzumbe University a research proposal entitled ***"Examining factors affecting participation of local SMEs in export markets, a case study clothing and food processing",*** in fulfilling the requirement for the degree of Master of Master of Business Administration in Corporate Management of Mzumbe University.

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I Ke**lvin Masuke Dalali**, hereby declare that this dissertation is of my own work. Where use has been made of the work of others, this has been duly acknowledged in the text.

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DEDICATION

This study work is dedicated to my late mother Magreth Anatory Mlingi

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ABSTRACT

This study examines the factors that affecting participation of Small and Medium Enterprises (SMEs) in export markets, a case study of clothing and food processing. More specifically, the study examined the influence of four aspects, namely, domestic competition pressure, Government support, management skills and attitude on foreign markets and availability of domestic network on local SMEs to participate in export market. To achieve these objectives, 73 owners, managers, supervisors and employee of SMEs were involved in the study. Structured questionnaires used to collect primary data. The Statistical Package for Social Sciences (SPSS) descriptive method used for this analysis. Each variable found to be effective as a factor affecting participation of local SMEs in export market after done analysis of data collected from the field.

Overall study findings revealed that, Because of domestic competition among firms locally they opt for new market outside the country, new technology is one of the factor lead to quality and quantity unit of production to fulfill export market, Government offers several export support to SMEs in terms of credit guarantee, low interest loans and export promotions. However, most SMEs are not aware of the credit guarantee schemes offered by the Government.

Furthermore, the Tanzania SMEs policy of 2002 emphasizes more on the poverty reduction in terms of domestic concentration of SMEs rather than export market of SMEs. Likewise, Local SMEs to participate in export market must be able to associate with large Companies and use networking as a strategy to participate on export markets.

In conclusion, the study recommends that Government should raise awareness to SMEs through trainings and SMEs to use networking and associate with large Companies, To give training (Capacity building) to SME's owner regarding international markets and product quality, To offer cheap loan to employee with affordable interest rate and conditions.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, statement of the problem, the objectives of the study and research questions. It also covers significance, scope and organization of the research.

1.1 Background of the study

Small and Medium Enterprises (SMEs) play a considerable role in the development of the world economy due to both its contribution to GDP and employment opportunities created within, Padnya (2012). SMEs have a major part in economic development of both developed and developing countries as they act as a major engineering force in several industrial activities. According to (OECD, 2004), in most of national economies, SMEs make more than 95% of market participants. In EU for instance, SMEs form about 99% of all firms in the market, and employs about 65million people, (Onkelinx and Sleuwaegen, 2008). Moreover, the dynamic SMEs have contributed highly to the economic development of Taiwan, Japan and Columbia and many other countries. What does limit SMEs export in Tanzania will be the primary focus of this study.

With regard to developing countries, it is well evident that SMEs play a vital role in development of country and more importantly it helps a lot to countries having low level of investment by offering many socio economic benefits (Gamage, 2003). However, the phenomenon of globalization and trade liberalization has created new opportunities as well as challenges for SMEs (OECD, 2004). According to Pandya, (2012); Hussain, Farooq and Akhtar (2011) main constraints faced by small entrepreneurs are lack of finance, low human resource capabilities, and technological capabilities.

Grimsholm& Poblete, (2010) also put forth that poor management competences, lack of skilled manpower, deficiencies in marketing strategies, and lack of innovative technology are prominent factors responsible for unstable growth of SMEs. As noted by Mahmood (2008), another important factor responsible for SMEs is lack of corporate governance structure in firm. It is noted that usually there is a lack of awareness among these enterprises regarding significance of corporate governance. And if awareness is there, there is a general aversion to adopting these practices because of high cost of implementation. Corruption, barriers to trade, bureaucracies in the legal and regulatory framework are also considered hindrances to SMEs growth (Grimsholm& Poblete, 2010 and Aikaeli, 2007).

In Tanzania SMEs contribute to about a third of GDP, and employs more than 20 percent of the labor force, (Tanzania SMEs policy, 2003). MIT (2012) report suggests that; there are about 2.7 million individuals in Tanzania who run about 3.2 million small businesses which employ more than 5.2 million people including 3.4 million owners or spouse, about 0.9 million paid employees, and about 0.8 million relatives, friends, or associates of the owners.

Despite its contribution to country's economy, SME sector in Tanzania is still running low facing a number of hindrances towards its way to export market. The challenges include; poor or lack of financial support from government, poor awareness and lack of exposure to international marketing standards and poor marketing skills, (Kazimoto 2014). It is against this background that it was found necessary to assess the factors that are currently hindering most SMEs from getting into export market specifically looking at domestic competition, government support, domestic skills as well as networking.

1.2 Statement of the problem

SMEs worldwide are recognized as engines of growth and development (Harper, 1984; Ba-el and Felsenstein, 1990) and in many countries there are some considerable efforts to support them so as to create the necessary employment opportunities, incomes and productive capacity. Tanzania's moved to economic liberalization and globalization since 1980s, and this resulted to increased competitive pressures from different parts of the world. This structural shift in the Tanzania economy greatly exposes SMEs to severe national, regional and international competition from large enterprises (Hamisi, 2011).

In her efforts to save the SMEs sector, the government of Tanzania made a number of initiatives including providing guarantee on access to finance from banks such as Export Credit Guarantee Scheme (ECGS) and SME Credit Guarantee Scheme, (BOT, 2011). Despite those initiatives the country is still rating low when it comes to entry into international market as far as SMEs are concern. This is what has prompted the study on the factors that affect SMEs participation in export market.

A number of studies have been made on the field of SMEs in Tanzania however there is a great gap concerning with the area of export market. Some of studies include; challenges and prospects faced by SMEs in accessing credit facility focusing on agricultural inputs sellers and distributors (Lyimo, 2014), Strategies for enhancing the growth of SMEs in agro-processing industry in Tanzania (Kamozora, 2013), and several factors that affect performance of SMEs in Tanzania. These studies are confined in SMEs growth within the country hence this paper intends to cover the gap by focusing on the role of domestic competition in promoting SMEs export, government's role in supporting and promoting SMEs export, SMEs domestic skills and attitude towards foreign market as well as the role of networking in promoting SMEs export.

1.4 Research Objectives

1.4.1 General Objective

The main objective of the study was to examine factors affecting participation of local SMEs in export markets in Tanzania

1.4.2 Specific Objectives

Specifically, the study has covered the following objectives.

1. To determine the role of domestic competition in promoting SMEs export
2. To analyze government support role in promoting SMEs export
3. To assess the SMEs domestic skills and attitude towards foreign market
4. To establish the role of networking in promoting SMEs export

1.5 Research Questions

Specific questions were answered by this study include;

1. To what extent does domestic competition promote SMEs exports?
2. What is the role of government in promoting SMEs exports?
3. How does management skills and attitude influence exports in SMEs?
4. To what extent does networking promote exports in SMEs?

1.6 Significance of the study

This study was expected to bring valuable knowledge to SMEs particularly clothing and food processing on how to better operate at international standards. The findings from this study can also guide the government and other development partners on identifying the weakness in the sectors hence decide on the appropriate initiatives to support the industry. This study can also be used as baseline information or a guide for further studies. Furthermore, findings and recommendations on the SMEs management skills and attitude can be used to raise community and individual enthusiasm in engaging in export market.

1.7 Scope of the research

The scope of this study was limited to clothing and food processing SMEs in Dar es Salaam city. The study was guided by four specific objectives namely; the role of domestic competition in promoting SMEs export, government support role in promoting SMEs export, SMEs domestic skills and attitude towards foreign market and the role of networking in promoting SMEs export. Case study was used to guide the course of the study.

1.8 Organization of the proposal

This research consists of five chapters. The first chapter will be the introductory part which will present the background information of the study, problem statement, research objectives and questions, significance of the study, scope and organization of the proposal. The second chapter covers literature review which comprises of theoretical review, theoretical framework, empirical literature, conceptual framework as research gap. The third chapter presents research methodology which covers the research design, population of the study, sampling and sampling techniques, data collection methods, data reliability and validity as well as data analysis and presentation. The fourth Chapter consists of data analysis and interpretation and the fifth Chapter consists of recommendation and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents various concepts on SMEs and export market that have been put forth by other researchers and authors. It also enables the familiarization of different arguments and facts established by other authors and identify the knowledge gap which research study has deal with. This chapter has been divided into four segments which include; theoretical review, empirical literature, conceptual framework as well as research gap.

2.1.1 Small and Medium Scale Enterprises (SMEs)

The term SMEs refers to Small and Medium Enterprises. SME is still a controversy concept differing from country to country due to various yardsticks depending on their sizes and level of development. The prominent used yardsticks are total number of employees, total investment and sales turnover within local area. The SMEs cover non-farm economic activities that mainly include manufacturing, mining, commerce and services, URT (2003).

According to OECD (2000), the most frequent upper limit for employees is 250 in the European Union, while some other countries set the limit at 200 employees. For the United States, SMEs are considered to include firms with fewer than 500 employees, OECD (2000). Therefore, small firms are basically those with fewer than 50 employees, while micro-enterprises have at most ten, or in some cases lesser to five workers. With regards to size of capital investment, OECD (2000) asserts that within the European Union, SMEs must have an annual turnover of about EUR 40 million or less and/or a balance-sheet valuation not exceeding EUR 27 million.

SMEs sector has experienced a massive improvement in Tanzania although still struggle to penetrate to the export trade. More business registered statistically as Small and Medium Enterprises in Tanzania currently, regardless the kind of business constitute SMEs, the number has significantly increase. It is not clear whether SMEs apply to formal or informal accredited business. This is because the definition and criteria to consider a business is falling under the shadow of SMEs sector are still question and huge debate. Currently, the definition and criteria for a business to be considered fall under SMEs sector are capital and number of employees the business has in possession. Basing on those criteria there is Micro enterprises (1-4 employees and capital of 0-5 million Tanzania Shillings), Small enterprises (5-49 employees and capital of 5-200 million Tanzania Shillings, Medium enterprises (50-99 employees and capital of 200-800 million Tanzania Shillings), Large enterprises (100 and above employees and 800 million Tanzania shillings and above) (Temu & Due, 2000).

Table 3. 1: Categories of SMEs in Tanzania

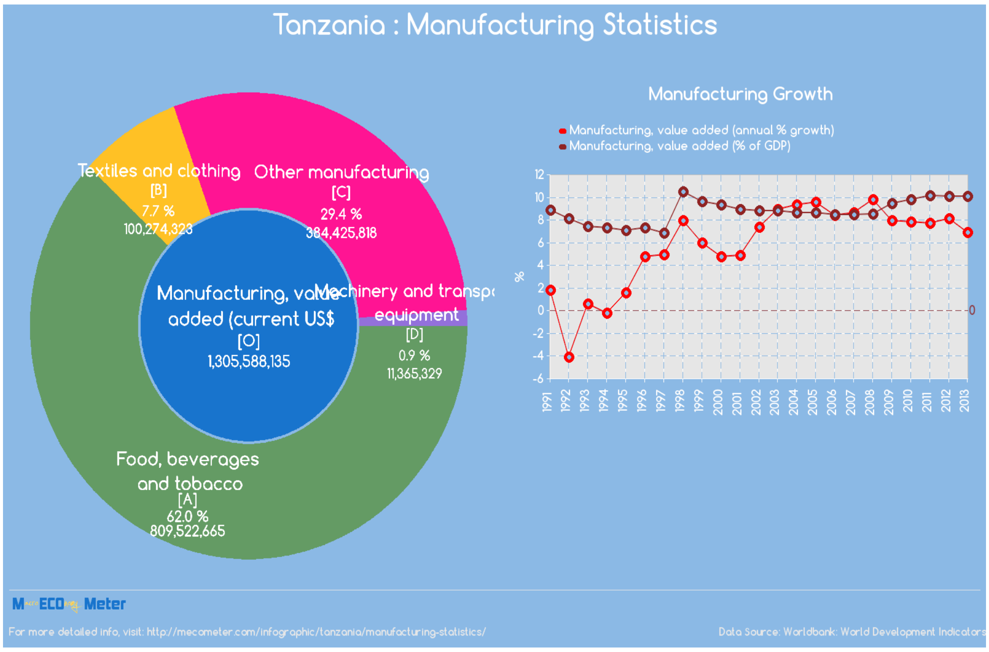
Category	Employees	Capital Investment in machinery (Tsh)
Micro enterprise	1-4	Up to 5Mil
Small enterprise	5-49	Above 5Mil. to 200mil.
Medium enterprise	50-99	Above 200mil. to 800mil
Large enterprise	100 +	Above 800mil. +

Source; URT, (2003)

The whole concept is really complicated when it comes to actual situation whereby some business which are falling into micro enterprises but they don't have contractual employees. Also there are businesses with less than 10 employees but have capital beyond 200 million Tanzania Shillings. (Mahemba & Bruijn, 2003). Hence it is never easier to characterize sub-sector into Small and Medium Enterprises (SMEs) in Tanzania. The current development on export in Tanzania is the prove of what the country has been done for years in a colonial era although it not in the same approach. Exportation in Tanzania started during colonial era where by Tanzanians consumed what they did not produce and produced what they did not consume. Raw materials were exported to Europe only to be processed and sent back to Africa (Tanzania) for which was regarded as the market for those products. Therefore, after being produced sisal, gold cotton and coffee (raw materials) were exported and finished products were imported (omaments and clothes) (Coulson, 2013; Egerö, 1974).

During 1990s Tanzania experience more development in export which influenced by the exportation of new products which were not formally considered profitable to export. These new innovative products boosted the exportation in Tanzania. Exportation increased between 2000 and 2002, the growth was five times the normal and thus the speed of growth of Tanzania in exportation was overtaking Malaysia, Tunisia, Korea, Thailand, Brazil and Mauritius (Yanikkaya, 2003). This was highly supported by the development of new markets in Africa and Asia. During this time the world experience a lot of dynamics as China's performance in economy threaten to overtake U.S the reason being production for export (Krasilshchikov, 2007; Mallet, 1999). Therefore exportation has major role in the development of economies of a country.
The statistics show that in Tanzania 7.7% of manufacturing sector is textile and closing while 62.0% is Tobacco, food and beverage, this is according to World Bank information.

Figure 2. 1: Tanzania Manufacturing Statistics



Data Source; Worldbank: World Development Indicator

2.1.2 Export Market

Export is the sending of goods or services produced in a country, outside the boundary of the country. The seller of such goods or services is known as exporter and the foreign buyer is known as importer (Josh, 2005). As merchandise export increases in proportional to manufactured export is a positive sign to the said country in the economic perceptive (UNIDO 2012; WB 2012). For in order to improve export business and make it profitable for SMEs, the government through its supporting agencies should develop national strategy for export and promotion while taking into accounts opinions of all key stakeholders, this was a suggestion came out from OECD (2004). This practice should focus on increase value and the volume of export and the number of exporting companies

For the case of Tanzania, in the period 2000-2010 Tanzania leads in terms of the annual growth rate of manufactured exports (30.9%), above comparator countries such as Uganda (29.5%), Rwanda (17.1%), Zambia (16.3%) and Kenya (15.7%). Still, this growth is fragile, in that it is based on a limited number of export products, involving limited processing of resources, reflecting the rise in the gold price and being concentrated in a relatively small group of (mainly larger) enterprises. Commodities and goods often leave the country in semi- or unprocessed, (URT, 2012).

According to Ngowi and Ogutu, (2006) SMEs are struggling to access export markets which typically demand higher product quality and timely, consistent delivery. Government and institutional support to foster SME access to export markets is inadequate. Tanzania is currently exporting to a wide range of markets (more than 40 countries), the EU being its single largest export market. China is increasingly becoming a great competitor (hence a threat) in world markets, although Tanzania has a comparative advantage in the minerals and food sectors (Ngowi and Ogutu, 2006).

2.1.3 Clothing (Textile and clothing) SMEs

The textile and clothing industry summarizes the types of trade and industry dealing with production of clothing and garments, starting with the textile industry that includes producers of for raw materials such as cotton, wool, fur, and synthetic fiber all the way up to cloth and garment retailers, (Coughlin, Rubin &Darga, 2005). Being one of the oldest sectors in the history of industrial development, the textile and clothing (T&C) industry is often referred to as a traditional industry (Coughlin, Rubin &Darga, 2005). The textile and clothing sector is a diverse and heterogeneous industry whose products are used by virtually everybody (Stengg, 2001).

The Tanzania clothing and textiles industries have undergone difficult restructuring over the past years due to the combined impact of domestic and international factors. The negative impact of this transformation is manifested in the declining contribution of the sector to total manufacturing output, its falling export share and significant contraction in sector employment. In the new global economy, a country’s successful participation in the global value chain for clothing is contingent on its ability to flexibly and reliably respond to customers' needs which requires local manufacturers to upgrade their design and marketing skills and demonstrate world class manufacturing capabilities (Moses 2016; Barnes et al 2005).

2.1.4 Food processing SMEs

Food processing refers to any operations by which raw foodstuffs are made suitable for consumption, cooking, or storage. Food processing generally includes the basic preparation of foods, the alteration of a food product into another form as in making preserves from fruit and preservation and packaging techniques (Food processing, 2016). Processing of agricultural products plays a fundamental role in the creation of income in many developing countries (UNDP, 2012), and with an increasingly productive modern agriculture, the need for food processing enterprises increases (Haggblade et al, 2010).

Figure 2. 2: below show the sample of food process industry in Tanzania

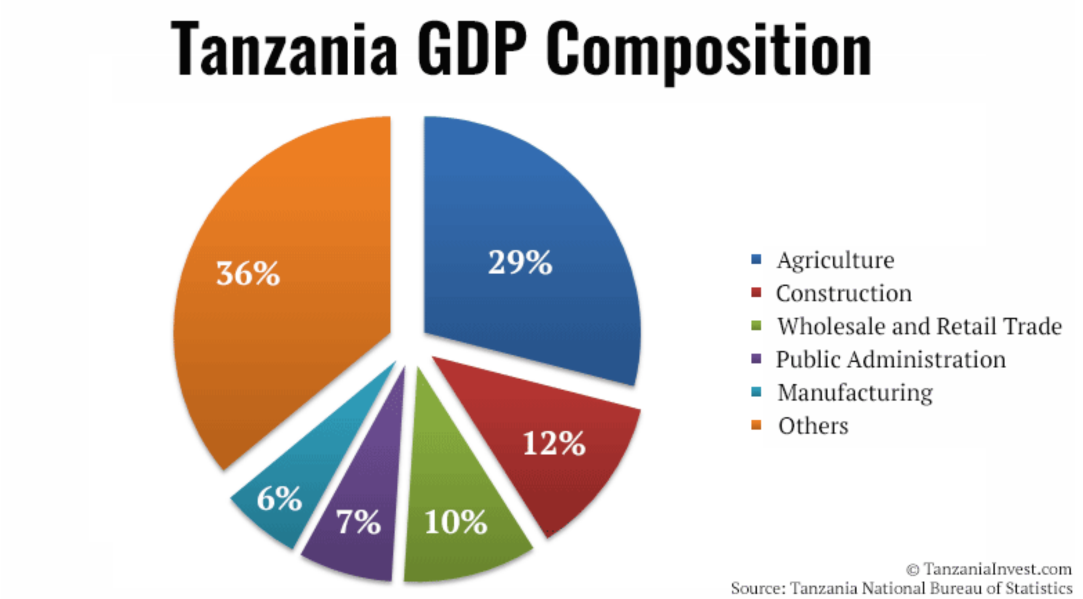
Figure 2. 3: Sayona fruits limited in Dar es salaam

In Sub Saharan Africa, it is estimated that 60% of the labour force find part of its work in small-scale agro processing enterprises and the majority are women (ITDG, 2005). The greatest potential growth in small-scale agro-industries is in fruit and vegetable processing as many horticultural producers experience problems in marketing of fresh produce such as lack of readily available marketing information and lack of market integration, lack of data on supply and demand trends and prices, reliance on spot or road-side markets, transport constraints and spoilage (Mhazo et al., 2003, Boyd et. al, 1997).

The food processing in Tanzania is endowed with rather unique and potential features as currently about 15.5 million hectares of land are under cultivation, and the agriculture sector absorbs 75 percent of the country's labor force (URT, 2015). Such magnitude of the sector reflects great opportunities for agriculture expansion to serving the international market through exporting; however, the development of food processing SMEs do not reflect the same, Kamuzora (2013) reports that the agro-food processing SMEs in Tanzania are faced by the challenges of scarcity of financing, inconsistence of government projects and programs to support, lack of technical guidance and counseling, technological gap, uncertain and costly power supply as well as poor marketing skills. All these challenges results to poor participation of food processing SMEs in export market.

The main contributors to the growing Tanzanian economy are agriculture, tourism, and mining. Other key industries include construction, transport and oil & gas.

Figure 2. 4: Tanzania GDP Composition



Tanzania's agriculture output was USD 13.9bn in 2014, accounting for 29% of the country's GDP. The BOT's February 2016 Monthly Economic Review indicates that the Tanzanian agricultural exports (including fish and horticultural products) reached USD 1bn, accounting for 20% of the total value of Tanzania's exports in 2014. The most exported crops include tobacco, cashew nuts, and coffee. Raw tobacco accounted for 28% of the total agricultural exports or USD 302m in 2014 compared to USD 112m in 2009.
Source; https://www.tanzaniainvest.com/economy

2.1.5 Government support towards development of SMEs for export market

The government support for SME development can be traced from the history of SMEs in Tanzania. The history of SMEs in Tanzania dates back to 1966 when the government established the National Small Industries Corporation (NSIC) under umbrella of National Development Corporation (NDC) with the aim to reinforce small industries movements in the country Msemo, (2013). The NSIC facilitated training and workshops for industrial activities, (Msemo, 2013).

The government later on in 1973 established the Small Industries Development Organisation (SIDO) which constructed more than sixteen manufacturing complexes having over 140 stands at their headquarters in each region and training centers aimed at providing the simplest forms of technology, arranging a hire purchase program which helped more than 2000 to obtain working tools; placing regional extension services officers to offer guidance about starting up industries, selection of equipment, prepare feasibility study and inspections, fitting and maintenance of machines and promoting of final goods (ibid).

The government in support for SMEs went further to establish institutions that will work in hand with SIDO, including Tanzania Industrial Research Development Organization (TIRDO) that promotes homegrown raw material consumption, Centre for Agricultural Mechanization Rural Technology (CAMARTEC) which dealt with promoting knowledge for rural improvement; Tanzania Engineering and Manufacturing Design Organisation (TEMDO) dealt with machine design; Tanzania

Bureau of Standards (TBS) responsible for ensuring quality and standards are met; Board of External Trade (BET) dealing with promotion of external trade during trade fairs, the Fair Competition Commission (FCC) was also established to ensure that there is fair competition in the market, and mainly for safeguard local SMEs (URT, 2003).

Moreover, establishment of Vocational Education and Training Authority VETA also added to the efforts of the government in enhancing SMEs development Tanzania most especially in the area of skills development. Apart from that the University of Dar es Salaam established the Entrepreneurship Development Centre under the umbrella of Faculty of Faculty of Commerce in 1999 for the purpose of enhancing entrepreneurial skills, (URT, 2003). The government support has gone further to establishing a number of units which provide financial support to SMEs which includes; Small Entrepreneurs Loan Facility (SELF), National Income Generating Program (NIGP) and the National Micro Finance Bank (NMB) which was established as a main source of finance for SMEs (URT, 2003).

2.2 Theoretical literature review

Different theoretical perspectives explained different factors that affecting/hindering the process of local SMEs to participate/engaging in export markets. However in this study two main theoretical perspectives is fit to explain the study that is contingent theory and transaction theory.

2.2.1 Contingent Theory

The contingency theory explains on how someone arrives in making a certain decision in contrary the concept which assumes decisions are not purely rational and predictable. Choices affected by two variables, one being the situation which is prevailing at that time and management behavior (Donaldson, 2001). For that case there is no permanent market option whether local or export for a firm, be it large or small. According to Otto Anderson, internationalization and growth of new market businesses are contingent (Andersen, 1997). Therefore for someone to decide on whether to focus on foreign or local markets may be influenced by both variables (rational and situational).

In additional to that decisions can be affected/influenced by so many other factors such as, performance of local market, increase or decrease in demand for export market and resources and competencies level enough to deal with marketing and export production at a given time in an organization. However one should never ignore long term planning for marketing goals and business growth at large as depend on contingency alone will not be the best practice for the business. Hence led to the underutilization of business owner's capability and restrict firm's strategic choice on whether local or import market considering advantages offered in place by each. However both theories are relevant for the study, the focus of the study is to using the theories to get understand on the barriers that lead to some of the SMEs business to decide to quite or utilize export business. However the study is guided by findings from respondents and not just the theories.

2.2.2 Uppsala internationalization

The most popular theory of internationalisation is the Uppsala internationalisation process school that suggests the internationalisation process as a gradual incremental process consisting of a series of stages of increasing involvement in international operations as the company gains international experience (Welch and Loustarien, 1993, 156). This school looks at internationalisation as a learning process where as the firm gains international experience it reduces the risks of operating in foreign environment and can safely increase its resource commitment.

However, with the emergence of the born-global firms that emerged with advent of increasing globalisation, the Uppsala internationalisation theory has lost it explanatory power.

2.2.3 Transactional Cost Theory (TCT)

The founder of Transactional Cost Theory is known as Ronald Coase. This theory has a wide range of coverage in a business field of study. The theory explains on how the companies operate, grow, source out activities and search market only in some areas while ignoring some other areas. The Transactional Cost Theory (TCT) explains on how the companies try out to minimize the cost of exchanging resources with environment and also trying to minimize the bureaucratic cost of exchange within the company (Coase, 1937). Hence all companies will evaluate the cost of exchanging resources with environment against bureaucratic cost of carrying out activities within the company (Anderson, 2008).

In this regards, if carrying business to foreign market attracted more cost in internal operations of the company, that expansion to foreign may be avoided (even without regarding potential benefits). According to Transactional Cost theory (TCT), economic transactions can be coordinated and organized by using both institution and market forms. Once cost for external market of the company's products keep on rising the company will switch to internal market and strengthen its operations internally while closing the external market will be the only option (Coase,1937). Profit can be maximized through strengthen of institutional capacity and avoid engaging in a less informed market (alien market). In reality to re-arrange internal bureaucracy so as to gain from external market is more costly than expanding to cover external transaction in the long run (Ghoshal & Moran,1996). For Transactional Cost Theory (TCT) supporters, believe that in the long run this will downsizing the company. Hence, the major considerations in export decision are attached to uncertainty, risk, internal abilities of the companies, opportunism, and to some extent kind of restricted reasoning and calculation of costs and benefits of export decisions.

The TCT can well explain the role of cost in making decision regarding kind of business, should it be local or export oriented. Before engaging in export business activities, benefits to be attained should be well anticipated so as to make sure resources are not used in making loss. According to Ronaldo Coase (1937), business expansion is more attracted with profit and increase in income rather than increase in number of customers and opening of a new branch in a new market. This evidenced by the fact that most companies only open or expanding to a new branch after making profitable sales in their places of origin (Acs & Terjesen, 2005; De Chiara & Minguzzi, 2002).

In relation to this study, the theory enlighten the reason as to why, while some SMEs continue operating in external market other SMEs decided to close their operations (Anderson, 2008). But this theory has been criticized for its approach which emphasized on trial and error for better performance and profitable business in a distance market which might result into bankruptcy of small firm (Ghoshal & Moran, 1996). In additional Hennart (1991) argues, the TCT focus much on minimizing cost and forget or ignore the cost of internal reorganization, hence uprightly neglect the role played by social relationship in economic transactions.

2.3 Empirical literature review

This study has sorted out a number of studies that present relevant information about the relationship between SMEs and Export Market. Kirama (2014) assessed the factors determining SMEs performance in Tanzania that focused on five specific objectives namely; factors affecting SMEs performance, external related factors affecting SMEs performance, resource capacity related to SMEs performance, factors influence SMEs performance in Tanzania and lastly the challenges faced by SMEs in Tanzania. The study employed expedient sampling and purposive sampling of collected data from 100 business people, government officials and microfinance officials by using interviews and questionnaires.

Generally, several findings indicate that internal, external and resource related factors do affect SME’s performance. It was also discovered that SMEs in Tanzania face a number of challenges that include domestic competition from micro and large firms, corruption, capital constraints, hawkers, poor security and improper record keeping. This study will use these discoveries are a baseline to explore the factors affecting SMEs participation in export market.

The University of Tehran (2015) conducted a study on the factors affecting SMEs' export performance. The study identified and prioritized the effect of Moore's factors on the export performance of sports equipment's exporter in Tehran. The research reviews on previous studies concerning export performance and export performance models, hence, identified the prominent effective factors on export.
The study used a sample of 32 SMEs (sports clothing and equipment) and specifically conducted interview with seven experts that are in production sector. Findings revealed a number of factors which determine export performance in sports clothing and equipment namely; environmental factors, managers' commitment to export, managers' marketing strategy, export incentives, objective characteristics of the firm.

Hashim (2012) assessed the challenges that hinder SMEs internalization in Malaysia by drawing its sample from the entire SMEs sector in Malaysia. In the study, findings revealed that despite the excess support offered by the government; Malaysian SMEs kept on struggling in the global market due to several factors such as; lack of market knowledge, limited access to financial support, lack of infrastructure, technology and human capital, business competition and government policies. Also, one of the strength of Hashim's study is that it has managed to pin point some considerably major factors that hinder SMEs internationalization. However, the study left a knowledge gap on one important factor that could influence SMEs Internalization, which is networking. This study is to investigate and analyze the role of networking in enhancing SMEs internationalization.

Study was conducted to evaluate the country's effort to reform the banking system, taxation system, state owned enterprises, the public services sector and emergency of private sector. The study also reveals that regulatory frameworks fail to provide good environment for SMEs to grow and to help them to compete in international market. Furthermore, the study explains how uncertain legal environment and corruption hinder the achievement of the best goals set as part of strengthening business environment in Tanzania.

The domestic environment still is a challenge for SMEs to operate although there is plan for internationalizing SMEs through policies and strategies set. The study suggested that for SMEs to grow internationally and domestically, regulations and laws need to be reformed (Temu and Due, 2000).

On the other hand, Rutihinda (2008) explored the factors influencing the internationalization of small and medium enterprises located in the Eastern Townships of Quebec, Canada. The study took in a sample of 64 SMEs and revealed four major factors for SMEs in internalization. These factors include; owner or manager's international orientation, globalization of the firm's industry structure, established international networks, and foreign market potential. This study intends to convert these factors in the context of Tanzania and then analyze their contribution in SMEs internalization focusing in Tanzania.

In Tanzania performance and growth of SMEs may be affected by the technical efficiency and this also involves export performance according to Admassie and Matambalya (2002) This study suggests that SMEs experienced a challenge of poor technological infrastructure which makes Tanzanian SMEs less competitive. Apart from technical efficiency, SMEs in Tanzania face other problems such as low quality standards, and inadequate business skills. However there might be other barriers apart from the ones identified by this study. This study focuses only on one limitation (technical efficiency) and ignores other limitations like skills and attitude, networking and domestic competition that could be identified at the national level or wide sector (Admassie and Matambalya 2002).

Govori (2013) conducted a study on factors affecting the growth and development of SMEs in Kosovo.This study focused primarily on the impact of external factors, with special emphasis on the access to finance for SMEs in Kosovo. This study points out lack of access to finance by SMEs as the main factor that hinders growth and development of the SMEs. Lack of access to finance is linked with factors such as lack of collateral, high transactions costs and incapability to deal with the financial institutions formalities and requirements.

The study further points out other factors that hinder growth and development of SMEs to include among other things stiff competition, corruption and government policies and regulations.

Mungai et al (2014) conducted a study on factors influencing participation of Small and Medium Enterprises in Kenya. The study employed stratified simple random sampling technique to obtain 114 manufacturing SMEs from the Nairobi city as the sample size. It obtained both qualitative and quantitative data that was coded and analysed through SPSS. The findings from the study showed that there is positive relationship between SMEs participation on export trade and firm characteristic, government assistance, foreign investment and skilled labour.

Okpara et al (2014) conducted a study in Nigeria examining factors hindering export development for the SMEs. A total of 96 firms were successful surveyed under different sectors such as textiles and clothing, leather and shoes, plastic and chemicals, and food and beverages. Among the surveyed firms, 44 were exporting firms and 56 were non exporting firms. The study found that the main barriers to export include the following; lack of export market knowledge, lack of export finance, general lack of knowledge on how to export, lack of knowledge on export assistance available, lack of qualified personnel to plan for export market. Other barriers identified by the study include difficulty in handling export documentation requirement, transport and insurance costs, lack of government incentives and corruption just to mention a few.

2.3 Research gap

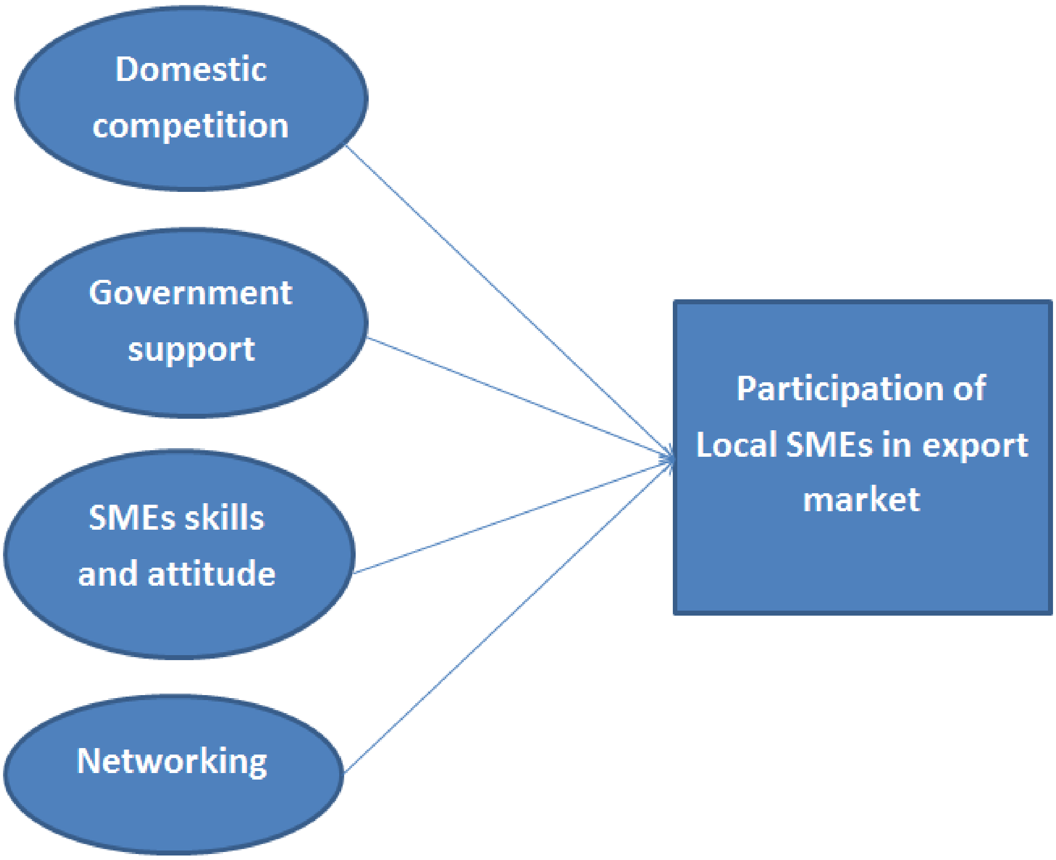
It has come to the researcher’s attention that many studies on SMEs that closely relate to the topic of this study are done in other countries like or rather other continent for example; Rutihinda (2008) explored the factors influencing the internationalization of small and medium enterprises located in the Eastern Townships of Quebec, Canada, Hashim (2012) assessed the challenges that hinder SMEs internalization in Malaysia. This fact leave a knowledge gap on the real state of SMEs in Tanzania since each country has her own way of defining SMEs. Again the studies conduct in Tanzania mainly focused on SMEs growth and performance with the countries and leave a knowledge gap on SMEs development at higher levels of export market. This study then intends to cover this knowledge gap by assessing factors affecting SMEs Participation in Export Market.

2.4 Conceptual framework

This study explained the conceptual framework below (Figure 2.1). The conceptual framework shows relationship between SMEs and Export Market. The framework illustrate that domestic competition has a positive influence on SME's participation in external market. It also shows that government has a great role to play in enhancing SMEs participation in export market. Moreover the framework indicates that domestic skills and attitude can affect the growth of SMEs at international level. Lastly networking is portrayed as one of the factors that can influence SMEs participation in external market.

The conceptual framework for this study also specifically illustrates that if the factors for SME's participation in export market will be given their due attention they would highly push the SMEs export market while contribute highly in employment creation, DGP, and countries economic development at large.

Figure 2. 5: Conceptual framework for Factors Affecting SMEs Participation in export Market



Source Reseacher, 2018

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents the methodology that will be used in the study. It covers research design, population, sample and sampling method, source of data, data collection method, data processing and analysis, validity and reliability.

3.2 Research Design

Research design portrays the manner in which study data has been collected and analyzed. It points out what kind of data does the study required, from whom and where the data has been drawn as well as how data was collected. Research design also sets conditions and boundaries for data collection together with appropriate tool for data analysis. Moreover it explains why the said data is important for the study and reliability of data and data sources (Kothari, 2004)

The researcher has use descriptive research design to undertake the study. Descriptive study describes features of individuals or groups using prediction, facts and narrations (Kothari, 2004). Reflecting on this definition, it was thought relevant to use descriptive design to study characteristics associated with SMEs export market by focusing on the role of domestic competition in promoting SMEs export, government support role in promoting SMEs export, SMEs domestic skills and attitude towards foreign market as well as role of networking in promoting SMEs export.

3.3 Study Population

Population can be defined as a total number of elements involved in the study. These elements can be individuals, groups of people, events and objects with common characteristics (Abeid and Oliva, 2004). Population for this study has included all SMEs in Dar es Salaam, the Ministry of Industries, Trade and Investment and all export market agencies. However, for the purpose of the study only clothing and food processing SMEs was involved in the study. With regards to the Ministry, only the unity dealing with export market development was involved with few export agencies.

3.4 Sampling techniques and sample size

3.4.1 Sampling Techniques

Sampling technique is “a process of selecting sample”. Sampling technique is important in determining the sample size (Kothari, 2004). There a various types of sampling techniques but this study has use simple random sampling and purposive sampling. According to Kothari, (2014) random sampling or in other words probability sampling is a technique that gives each element in the population the same chance to be included in the study. This technique was used to select clothing and food processing SMEs in Dar es Salaam city. Each SME from two and more year experiencing in operation was having same opportunity to be selected as a representative sample. Purposive sampling on the other hand refers to selection of sample basing on researcher’s opinion on the knowledge of the prospective respondents upon the subject matter, Kothari, (2014). Purposive sampling technique was used to select export market agencies and representatives from the ministry.

3.4.2. Sample size

The study has drawn 100 respondents from the study population. Simple random sampling was used to spot out 90 respondents from clothing and food processing SMEs. Those respondents have involved owners, supervisors and workers. Furthermore, the study has used purposive sampling to select 10 key informants from the Ministry of Industries, Trade and Investment as well as export market development agencies. Key informants have included line managers and supervisors.

Table 3. 2: Sample Distribution

Number of respondents	Frequency	Percentage
Respondents from Clothing SMEs	45	45
Respondents from food processing SMEs	45	45
Export development agencies	5	5
Ministry of Industries, Trade and Investments	5	5
Total	100	100

Source; Researcher, (2017)

3.5 Sources of Data and Data Collection Procedures

The study used both primary and secondary sources of data. According to (Kothari, 2009) primary data are the first hand information collected directly from the field whereas secondary data are second hand information formally being processed by other people. This study has used interview and questionnaire methods to collect information from primary sources which were respondents from SMEs, the Ministry and export development agencies. Document review has used secondary data to gather information which include reports, papers, and other relevant documents from the ministry and export development agencies.

3.5.1 Interview

Kothari (2004) defines interview as the method of collecting data that involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses. Interviews can involve face to face interaction or telephone. For the purpose of this study, interview was used to gather information from the aforementioned key informants. Interview guide also was used in order to maintain the focus of the study. The researcher has used notebook to write down all responses from interviewees and later on analyses them in a more precise manner. Both English and Swahili languages was used in order to allow freedom of expression.

3.5.2 Questionnaire

The questionnaire is a data collection tool consisting of a series of questions purposely for collecting information of a particular subject from respondents. This tool is useful for data collection when the study involves large number of respondents (Puntland, 2013). Questionnaires was used to gather information from

90 respondents drawn from clothing and food processing SMEs. Puntland, (2013 and Kothari, 2004) argue that through use of questionnaires, researchers can obtain objective information since the method allows respondents to fill the questions even in absence of the researcher and they can also choose to hold personal information such as names and contact. This study has used semi structured questionnaires to gather information from SMEs.

3.5.3. Document review

Document review is a method of data collection which involves gathering information from already written documents with relevant information. Documentation takes many forms including; letters, email, manuals, acts, news articles, reports, empirical researches, newspapers, (Kothari, 2004 and Yin, 2009).This method was used to collect information from reports and other documentation from the Ministry and export development agencies. Review has also involved analysis of report, papers, and other relevant government reports.

3.6 Data validity and Reliability

3.6.1 Data validity

Data validity can also be defined as meaningfulness of research components. It focuses on certainty of the subject that is supposed to be measured. Validity also looks at the relationship between variables, objectivity of the study as well as categorization of samples and generalization of the results (Drost, 2011; Bollen, 1989). In order to ensure validity, the study has treat SMEs as independent variable and export market as dependent variable. 100 respondent was used from clothing and food processing SMEs in order to allow comparison and reasonable generalization of information of SMEs' participation in export market.

Since sample and data collection methods have a great influence on data validity, in order to ensure data validity the following was done; the researcher has used literature review as a guide to preparing questionnaires. The researcher also has conducted a pilot study before preparing questionnaires then there was test and go through series of adjustments as the expert advice. Data was collected from respondent with two or more years of experience in SMEs operation, thus ensured data credibility. Also the researcher has ensured that, data collected should be in a short period of time in order to avoid or minimize any major event changes that can occur if time taken would be longer.

3.6.2 Data Reliability

Data reliability refers to the ability of measuring instrument to measure the phenomenon it is designed to measure. This notion can be taken to comprise two elements external and internal reliability. The researcher has ensured reliability of measurements through standardizing the condition under which the measurement was taking into place that can involve minimizing external source of variation like boredom and fatigue. Directions for measurements was carefully designed with no variation from group to group by using trained and motivated person to assist in conducting the research and broadening the sample of the expected items, (Drost, 2011).

Data reliability can also be affected or influenced by sampling techniques as well as data collection methods (Drost, 2011).Therefore in order to ensure reliability; the study was employed simple random sampling to select 100 respondents from clothing and food processing SMEs. This number was enough to erase possibility of encountering diversity of information during the process of data collection and analysis. Moreover, the researcher has conducted face-to-face interview and personally administered filling of questionnaires. This has reduced error in data reliability because the researcher was able to observe body language of the respondents and thus be able to reduce chances of deception.

3.7 Data management, analysis and presentation

Data analysis refers to “computation of certain measures along with searching for patterns of relationship that exists among data-groups” (Kothari, 1999). Both qualitative and quantitative data were subject to content analysis. The tools for data analysis vary depending on the types of data to be collected and used in the particular study. Data was analyzed based on the stated objectives of the study using the computer Software called Statistical Package for the Social Sciences (SPSS). Each of the questions was be coded and the responses from the respondents were entered in the SPSS. After the data entry exercise, data was then clean and analysis was carried out. Data analysis was comprised of descriptive statistics for the demographic variables and from the key part of the questionnaire. Chron-bach alpha test was also carried out to check for the reliability and validity of data.

Table 3. 3: Validity test through Cronbach Alpha

Item	average inter item correlation	alpha
Government exportation support is very important for SME to participate in export market	0.11	0.53
SMEs need credit guarantee in order to participate in export market	0.12	0.55
SMEs access to low interest rate loans activate SMEs to participate in export market	0.13	0.56
Availability of export promotion institutions help SMEs to do business outside domestic market	0.15	0.61
Management perception towards changed environmental conditions is necessary for SMEs to enter into foreign market	0.12	0.55
Having managers with knowledge on foreign market speed up SMEs to participate in export markets	0.11	0.52
Enough experience on market opportunities enhances international involvement of SMEs	0.14	0.59
Social networks create trust and facilitates entry into foreign market	0.15	0.62
Business relationship builds commitment and plays vital role in SME penetration to international markets	0.12	0.55
Institutions networks bridge the gap between partners and allow rapid SMEs to participate in exports markets	0.11	0.51
Test scale	0.12	0.59

Source: Field data, 2018

Cronbach alpha test was used to test for the reliability of the data and the results have been presented though table 3.2 above. The findings show that test scale obtained for cronbach alpha is 0.59 which is approximately 0.6 that indicate that the average level internal consistency for our data. Ten items were included in the calculation of the reliability test that include; government support indicators, management skills and attitude on foreign market elements and availability of network element.

CHAPTER FOUR

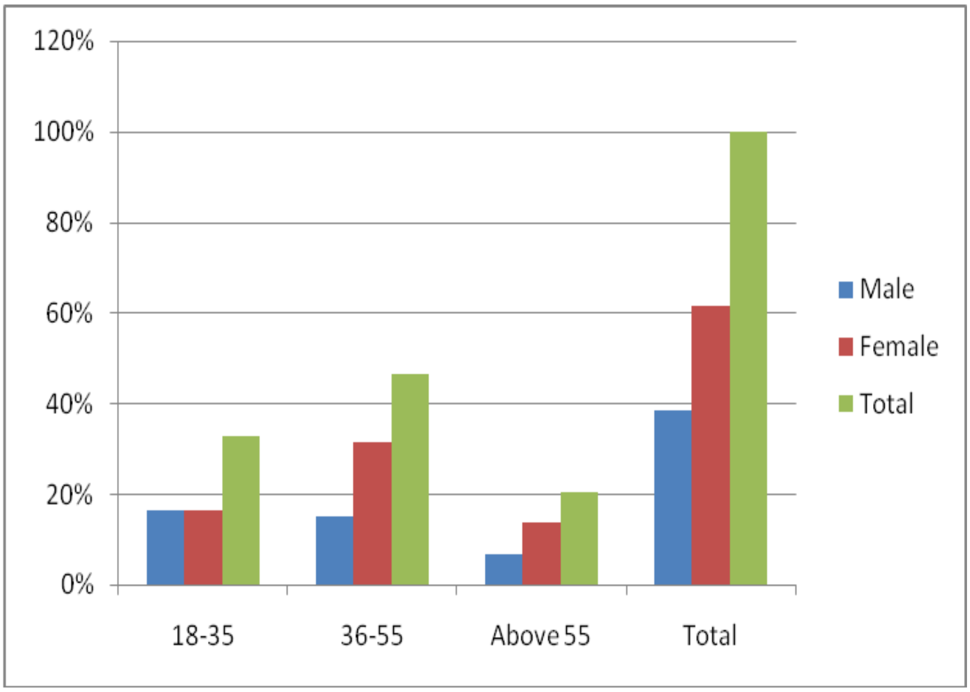
DATA PRESENTETATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents research findings and discussions based on collected information from the clothing and food processing firms based in Dar es Salaam. The main objective of the study was to examine factors affecting participation of local SMEs in export markets in Tanzania. The study addressed the role of domestic competition in promoting SMEs export, government support role in promoting SMEs export, SME's domestic skills and attitude towards foreign market as well as the role of networking in promoting SMEs export. Data analysis, presentation and discussion were done basing on research questions.

4.1 Socio-economic Characteristics

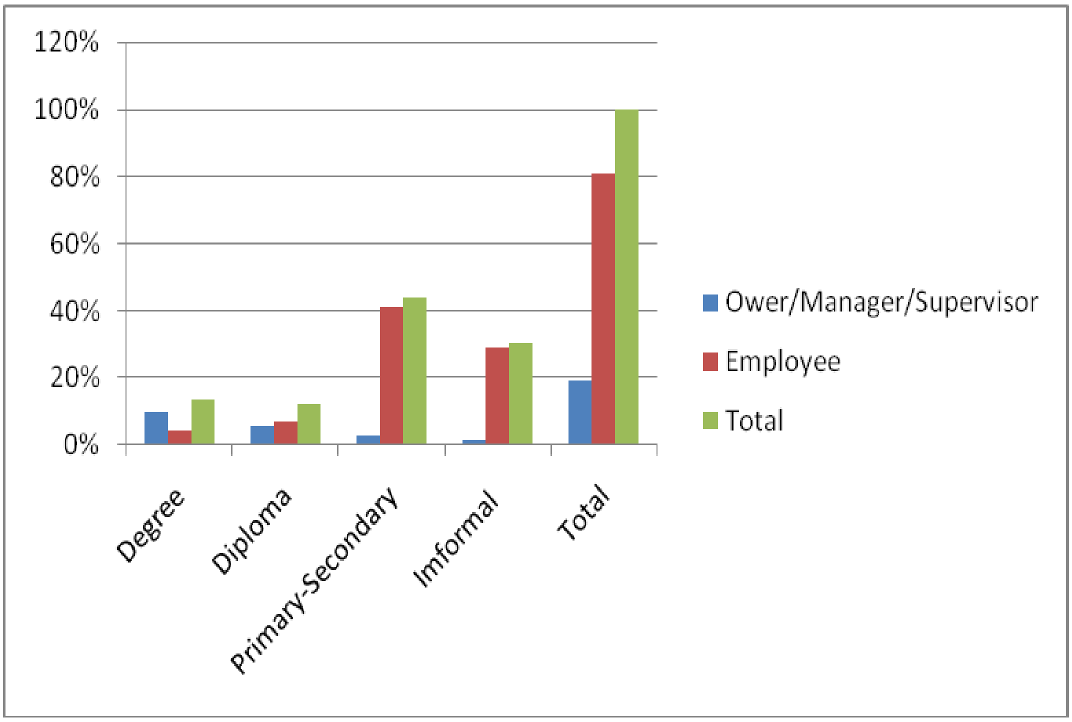
Figure 4. 1: Gender and Age of Respondent



Source; field data, 2018

Findings from the study as indicated in Chart 4.1.1 above shows that SMEs in Dar es Salaam are dominated by female in 36-55 age group (32%) followed by 16% of women in age group 18-35 out of total of 73 respondents. Reflecting on the ratio of women and men in clothing and food processing industry, the results shows that women occupy 62% while men make of 38%. Moreover the findings show the less involvement of men above 55 years (14%) in SMEs while women of the same age group double the number of male. Generally, these findings imply that food processing and clothing business attract more women than male as far as SMEs industry is concern. This findings are also supported by (ITDG, 2005)who noted that in Sub Saharan Africa, it is estimated that 60% of the labour force find part of its work in small-scale agro processing enterprises and the majority are women (ITDG, 2005).

Figure 4. 2: Education Level and Occupation

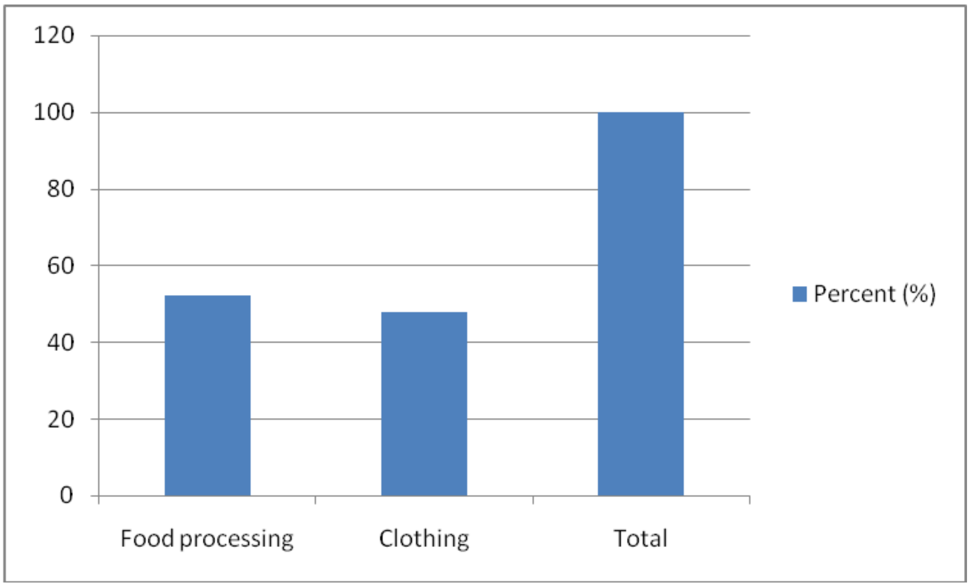


Source; field data, 2018

According to Results from Chart 4.1.2 which presents education level and occupation of the respondents, the sample is dominated by the respondents with primary and secondary education (44%) followed by respondents with informal education (30%). With regard to occupation employees takes a larger part of the sample (81%) while owners occupy the least part of the sample (19%). Reflecting on the relationship between education level and occupation, the results revealed the highest number of employees with primary and secondary education followed by those with informal education while possessing the smallest number of degree holders (1%). On the contrary, respondents with degree and diploma follow under the category of owners, managers and supervisors.

Results from Chart 4.1.2 also imply that SMEs is highly dominated with people with poor or no education at all while lacking intellectuals who would play an important role in taking this industry into a more advanced level such as export market. These results can also mean that SMEs gives an economic opportunity for the less privileged people as far as education is concern hence calls for more attention. The concentration of many people with level of education in this industry who find refuge in opportunities that come along SMEs is also noted by (Gamage, 2003) who asserts that SMEs play a vital role in development of country and more importantly it helps a lot to countries having low level of investment by offering many socio economic benefits.

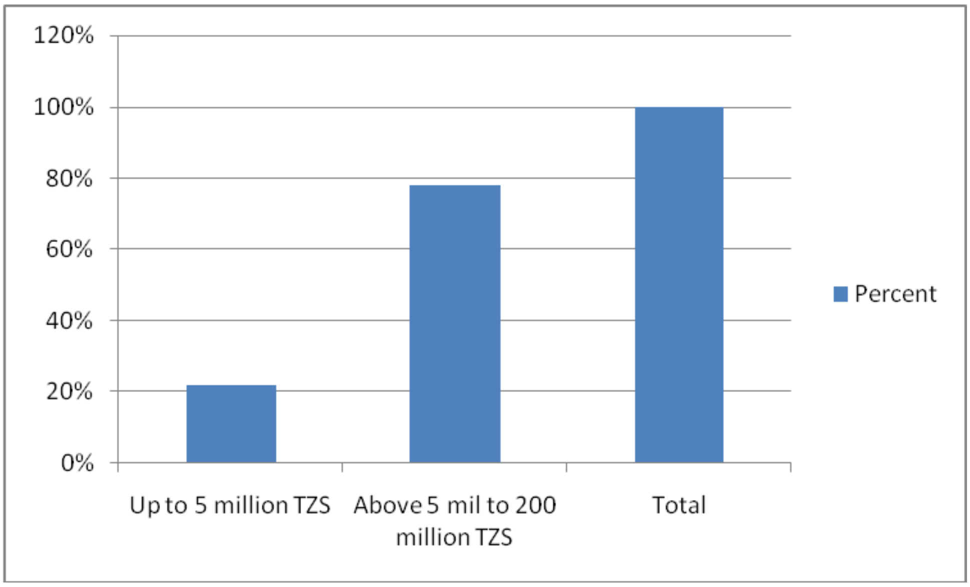
Figure 4. 3: Business type



Source: Field data, 2018

Chart 4.1.3 presents business types that are part of operations under local SMEs in the country. The findings show that 52.1 percent of the sampled populations are engaging in food processing business while 47.9 percent are in clothing business. The implication drawn from the findings is that, both clothing and food processing business are equally important source of income for households and the country at large. This is also stipulated by (Stengg, 2001) who argues that food and clothing sector is a diverse and heterogeneous industry whose products are used by virtually everybody. This also means that clothing and food processing sector can be a significant contributor to economic development should it be given its due facilitation in terms of technological advancement and export.

Figure 4. 4Capital investments



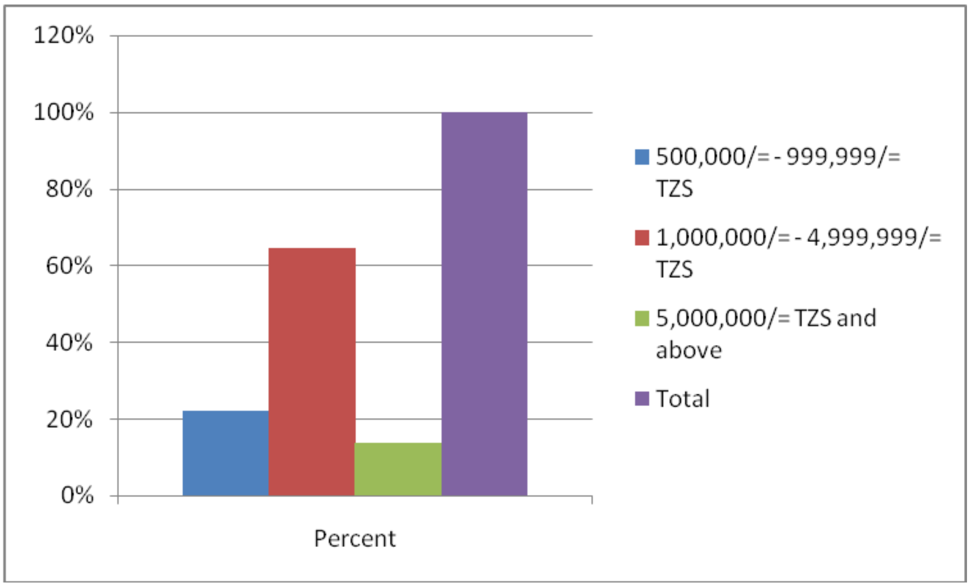
Source: Field data, 2018

Findings from Chart 4.1.4 show that 22% of respondents from sampled population have invested up to 5milion Tsh while the rest 78% had capital investment above 5mil to the limit of 200milion Tsh. These data were drawn from total of 14 respondents who were either owners or managers and supervisors who were aware of capital invested in the said business. Although the data indicated that most business in the sample had a capital investment of 5mil and above, majority ranged from 5 to7 mil whereas few were formalized and majority were informal. These results concur with URT, (2003) which reported that majority of SMEs in Tanzania fall under inform sector and that majority of formalized SMEs fall under the capital investment from 5mil and above. However reading between lines, the results indicate some fault in SMEs development in Tanzania due to the fact that the data shows that many 5 mil and above investments are informal and those under this category hardly go beyond 7mil.

This shows that most of the surveyed enterprises fall under small enterprises by the definition from capital, while some are still micro enterprises. This fact may be attributed by the factors such as difficulties with accessing loans with low interest rates and lack of credit guarantee.

Therefore, without conducive business environment such as access to low interest rate loans and credit guarantee, it is difficult for the micro-enterprises to move into small enterprises, this may be the same conditions for the small enterprises to move to medium enterprises.

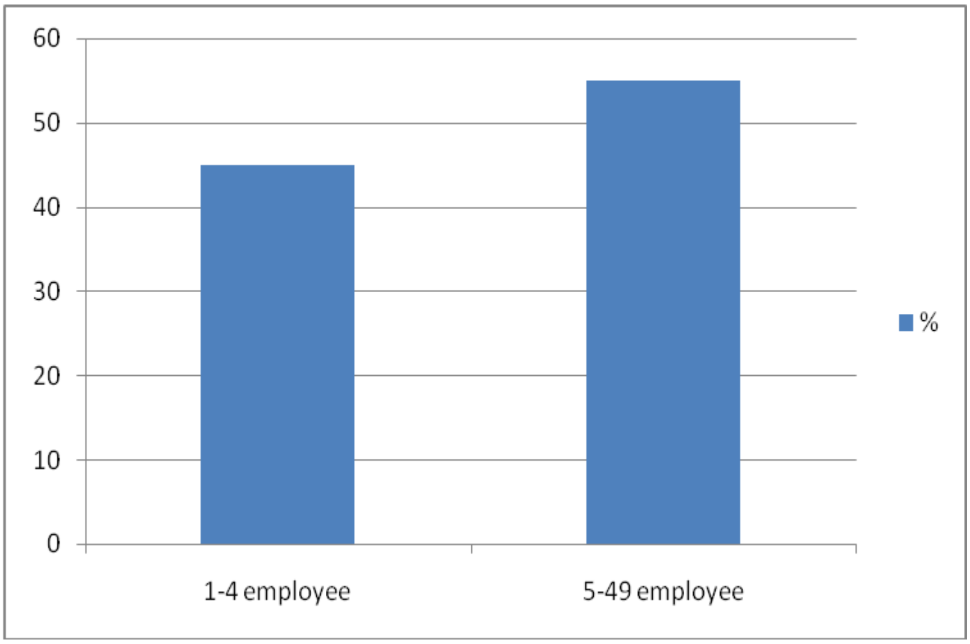
Figure 4. 5: Income



Source: Field data, 2018

Chart 4.1.5 indicate that majority of respondents generate income which range from one to four million Tsh (64%) followed by those who generate five to nine hundred thousand (22%) while the minority (14%) generate income of five million and above. These data also reflect on the findings on capital investment which show that majority of respondents had capital investment ranging from 5mil to 7mil. The fact that majority's income had maximum income of 5mil gives an impression that much still need to be done to push this industry into higher level of income generation from individual to nation and perhaps expanding export market could be one of the solutions. OECD (2004) suggests that the business support agencies should develop a national strategy for export development and promotion. Moreover URT, 2012 reported that growth of SMEs in Tanzania is still fragile, in the sense that it is based on a limited number of export products, involving limited processing of resources, reflecting the rise in the gold price and being concentrated in a relatively small group of (mainly larger) enterprises. Commodities and goods often leave the country in semi- or unprocessed.

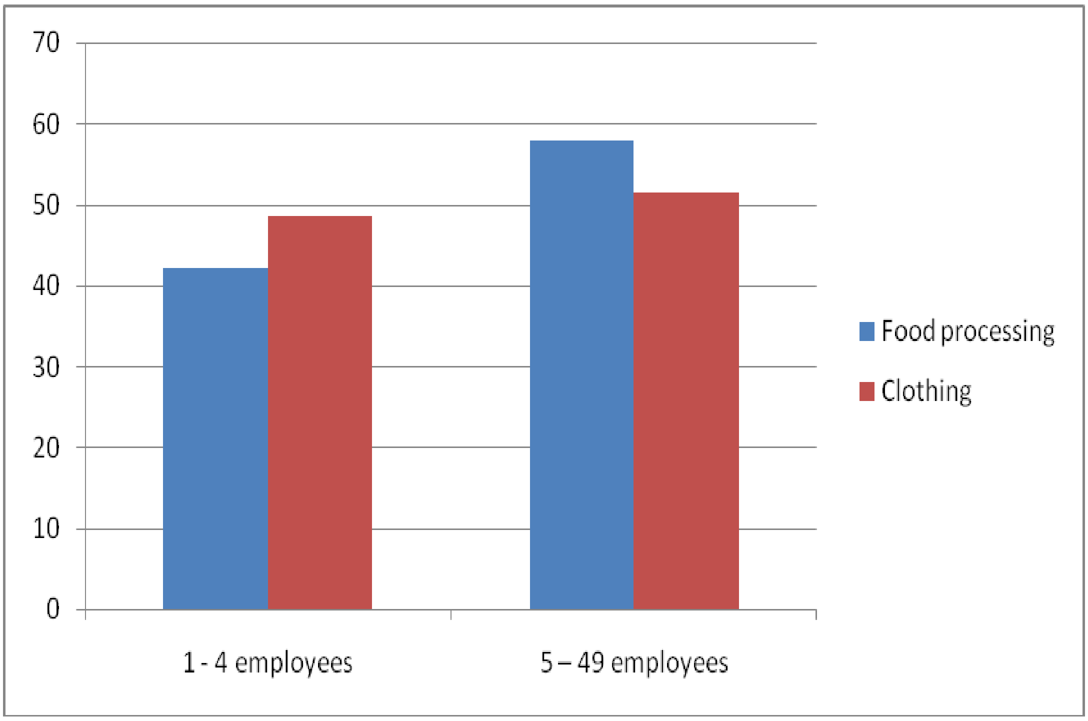
Figure 4. 6: Number of employees in the enterprise



Source: Field data, 2018

Chart 4.1.6 presents the number of employees in the enterprise. The findings show that 55 percent of the respondents have reported their enterprises to have between 5 and 49 employees while the remaining 45 percent have reported to have less than 5 employees. Number of employees in a particular enterprise depends very much on the size and capacity of enterprise in terms of its operations. This findings imply that most of the operations in the clothing and food processing enterprises are micro and small size enterprises from the number of employees that they have.

Figure 4. 7: Business type versus number of employs



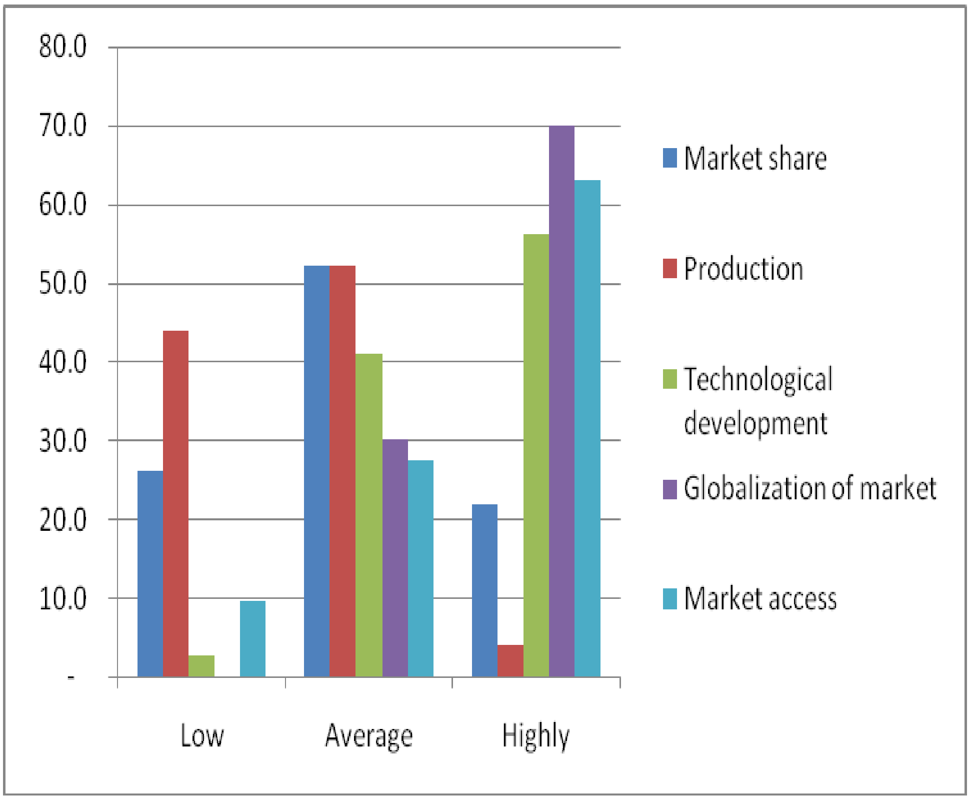
Source: Field data, 2018

The relationship between business type and number of employees in the firms is one of important aspects in this study and is being presented in Chart 4.1.7 above. The findings show that 45.21 percent of firms surveyed have 1 to 4 employees while 54.79 percent have employees between 5 to 49 people. This imply that the former falls under micro enterprises while the latter falls under the small enterprises according to the definition of firms by the number of employees.

The findings further shows that 42.11 percent of the food processing firms surveyed are micro enterprises while 57.89 food processing firms are under small enterprises. With regard to clothing processing firms, the findings show that 48.57 and 51.43 percent of firms falls under the category of micro enterprises and small enterprises respectively.

4.2 The Role of Domestic Competition in Promoting SMEs Export

Figure 4. 8: Level of domestic competition among SMEs

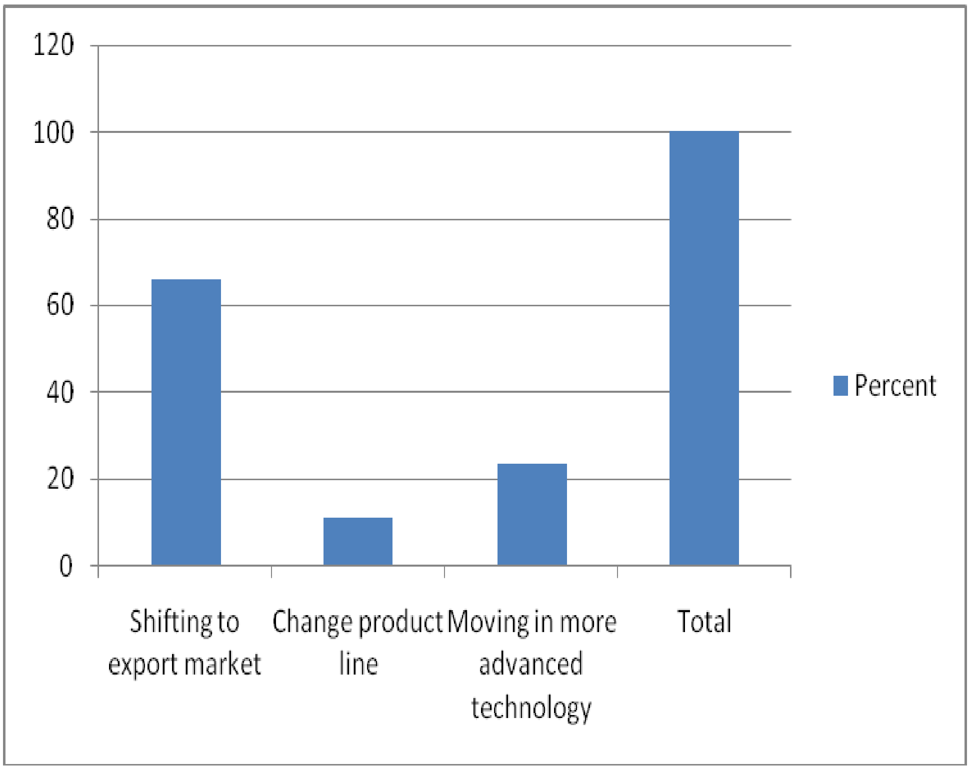


Source: Field data, 2018

Level of domestic competition among SMEs is well presented in Chart 4.2.1 above. The findings from analysis show that 69.9, 63 and 56.2 percent of the respondent's report that there is a highly level of domestic competition in globalization of market, market access and technological development respectively. Market share and production items have been rated by 52.1 percent of respondents to have average level of competition among SMEs.

These findings give implications that domestic competition has a great role in to play in promoting SMEs export, because of great competition among firms locally, they opt to look for new markets outside the country thus promoting participation in export market.

Figure 4. 9: Measures to survive in a competitive market



Source: Field data, 2018

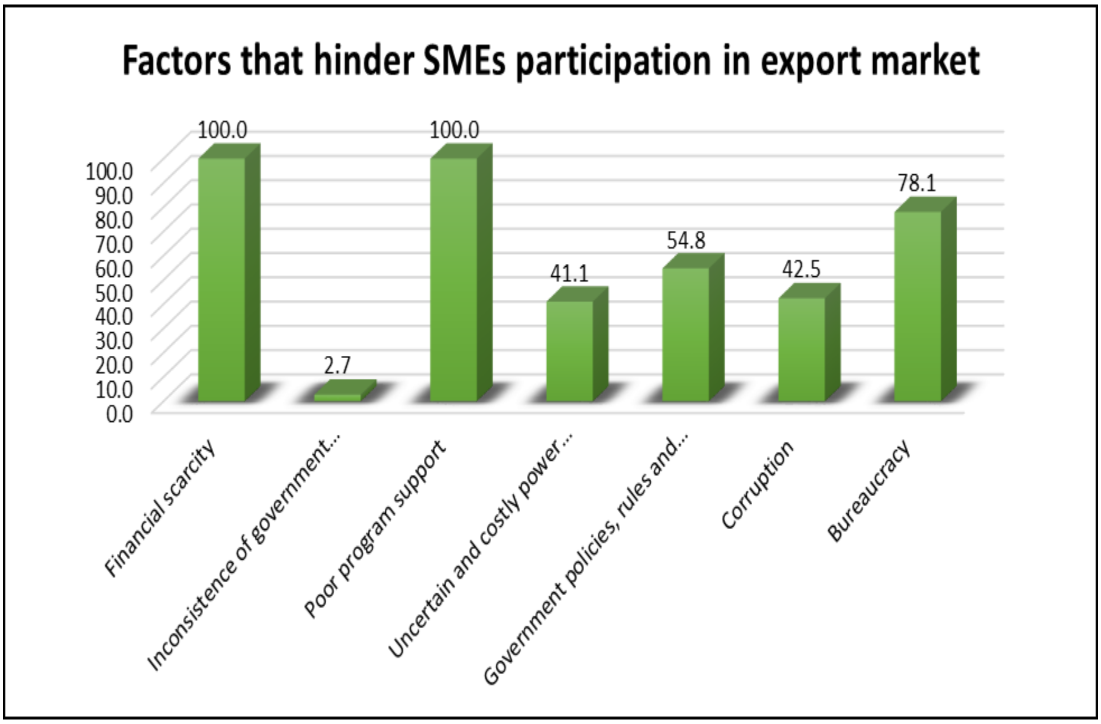
Findings from graph 4.2.2 above, display that 65.8 percent of the respondents consider shifting to export market as a strategy to survive in the competitive market while 23.3 percent consider moving in a more advanced technology as a best surviving measure in a competitive market. On the other hand, 11 percent of the respondents consider changing the product line as a measure to survive in competitive market.

More than 60 percent consider shifting to export market rather than moving in a more advanced technology since adapting an advanced technology is very expensive especially for the small and medium enterprises. Shifting to export markets implies looking for new markets outside the boundaries of the country and this could mean more sales and more foreign currency to the country.

Furthermore the findings reveal that other 40% of SMEs are not interested to shift in export marketing due to domestic competition instead they focus in advance technology and changing the line of production to survival in the market. This needs more research in future.

4.3: Government support role in promoting SMEs participation in export market

Figure 4. 10: Factors hindering SMEs participation in export market

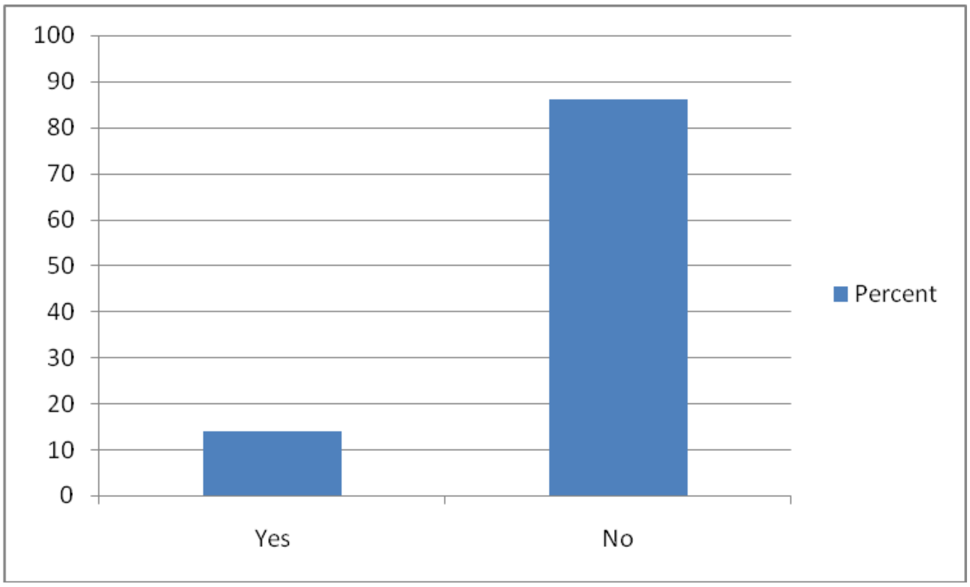


Source: Field data, 2018

Chart 4.3.1 presents the factors that hinder SMEs participation in export market as far as government is concerned. The findings show that 100 percent of the respondents have outlined financial scarcity and poor program support to be the critical factors that hinders SMEs participation in export market. Furthermore, 78 percent of the respondents have point out bureaucracy in business environment as another factor that hinders SMEs participation in the export market. Also, 54.8, 42.5 and 41.1 percent of the respondents have point out other factors that hinders SMEs participation in export market include government policies, rules and regulations, corruption and uncertain and costly power supply respectively.

This findings entails that most SMEs growth and development needs conducive business environment such as access to low interest rate loans, good political environment such as eradication of unnecessary bureaucracy, strong government to support small and medium business and good economic environment such as provision of stable and affordable power supply by the government. These study findings are consistent with the findings of Okpara et al, (2008) who conducted a study in Nigeria examining factors hindering export development among SMEs. Okparaet al found that lack of knowledge on export market, lack of finance, poor infrastructure, bureaucracy, corruption and general lack of knowledge are among the factors that hinder SMEs to participate in export market.

Figure 4. 11: Capacity building trainings on SMEs export performance



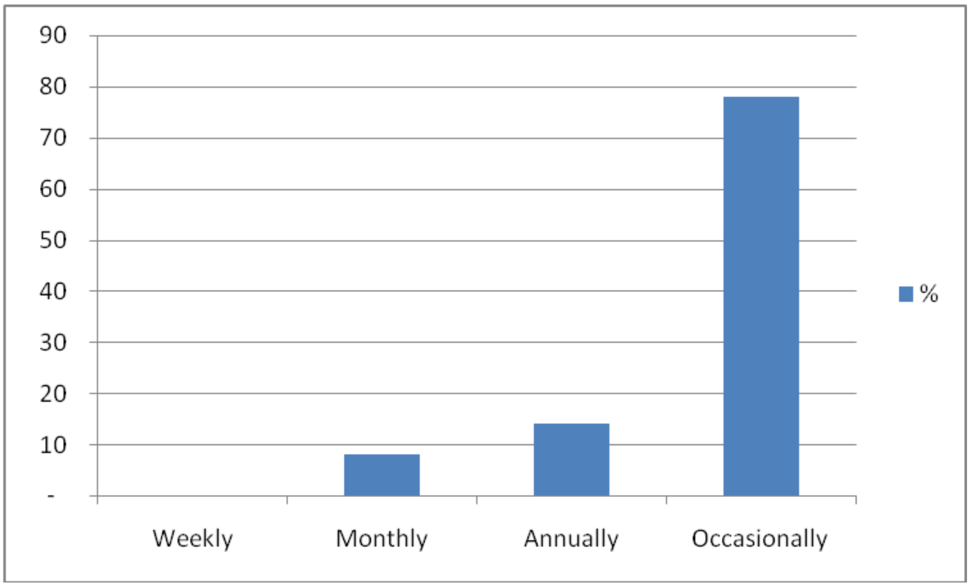
Source: Field data, 2018

Findings from Chart 4.3.2 shows that 91.8 percent of the respondents have not attended capacity building trainings and workshops on SMEs export market performance provided by the government agencies while only 8.2 percent have received such trainings. Only 8.2% received the training as per study it's shows that lack on information on presence of such trainings and workshops provided by the government agencies or absence of such trainings that are being provided.

This implies that most of the SMEs are lacking important skills and information about SMEs export market performance, thus making them inefficiency in the export market sector. These findings are consistent with finding from study by Okpara et al (2014), where he found that among other things, lack of export market knowledge and lack of general knowledge on how to export are among the factors that hinder SMEs export development.

Based on the above finding government support on capacity building training is required in order to support/promoting SMEs to engage in export market.

Figure 4. 12: Number of times for attending capacity building trainings on SMEs export performance

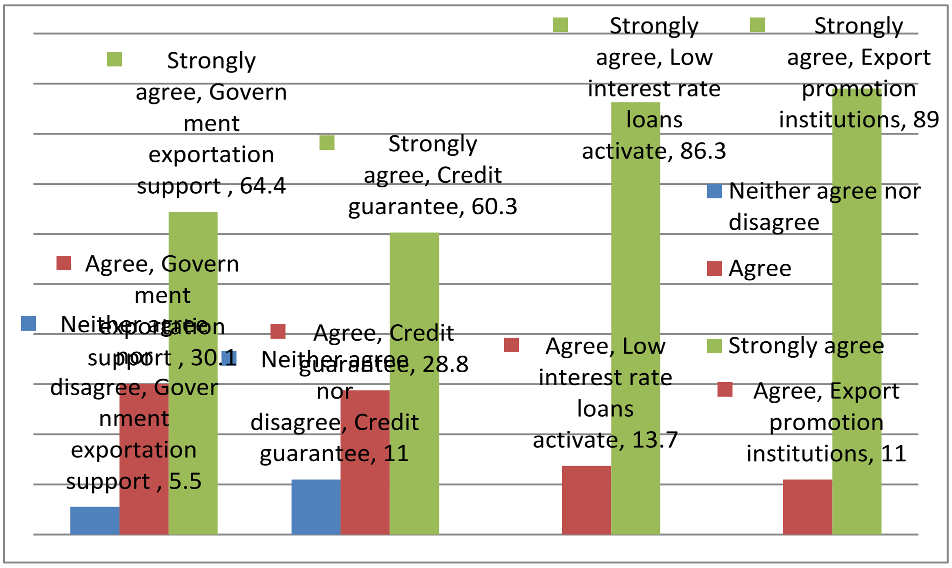


Source: Field data, 2018

Chart 4.3.3 presents the number of times that clothing and food processing SMEs receive capacity building trainings and workshops on SMEs export performance. The findings show that out of 14% of respondents attending capacity building as per Chart 4.3.2, 78% respondents attending the training occasionally, 14% attending annually and 8% attending monthly. This implies that the trainings provided by the government are still very few as well as lack of information's to SMEs regarding where those training are conducted especially on SMEs export performance, thus making it difficult for the SMEs to grow and compete in export markets.

Government needs to bring awareness to SMEs regarding export market by provide frequent training and seminars to SMEs, by doing this will help a lot of SMEs to concentrate also in export market for their products.

Figure 4. 13: Government support indicators



Source: Field data, 2018

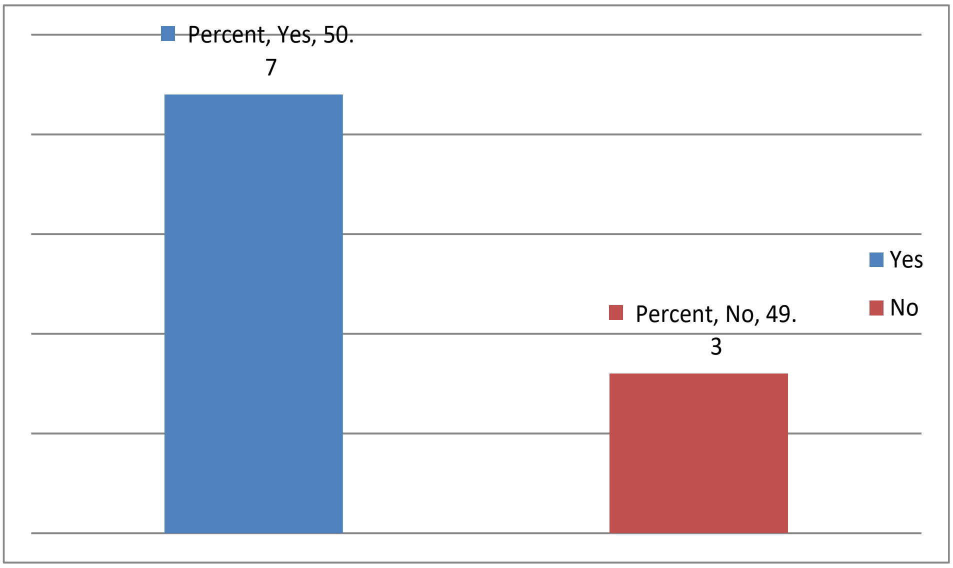
Chart 4.3.4 displays the government support indicators and their influence on SMEs to participate in export markets. The findings from the study shows that 89 percent of the respondents strongly agree that availability of export promotion institutions help SMEs to do business outside the domestic market. Furthermore, 86.3 percent of the respondents strongly agree that SMEs access to low interest rate loans activate SMEs to participate in the export market. Moreover, the findings show that 64.4 percent of the respondents strongly agree that government exportation support is very important for SME to participate in export market while 60.3 percent of the respondents strongly agree that SMEs need credit guarantee in order to participate in export market.

Therefore, government has a critical role to play in order to improve business environment and enhance SMEs to participate in export market since these government support indicators have been observed to be of highly importance. The study findings are consistent with the findings from the study by Mungai, (2014) who examined factors influencing participation of SMEs in export trade in Kenya. Mungai found that there is a positive correlation between SMEs participation in export trade and government assistance.

The government of Tanzania has a role and responsibility of create a conducive environment for SMEs to conduct their operation smoothly. The government through seek support from its development partners should ensure that SMEs in Tanzania have a supportive environment for them to carry their operations. Tanzania government can use supported acquired from World Bank and IMF to develop a conducive environment which in turn will stimulate development and growth of business sector including large, small, medium and micro businesses (Goedhuys, Janz, & Mohnen, 2008). Under the notion that a well-supported environment for SMEs would help to reduce poverty and stimulate economy at large. This has been a mission for the common Business Environment Strengthening (BES) and Business Environment Strengthening for Tanzania (BEST), SIDA, a program cofounded by the World Bank and Netherland Loyal Embassy and implemented by the government of the United Republic of Tanzania since 2007. Regardless of all the effort in place still there are claim for conducive business environment for SMEs to operate.

4.4: SMEs Domestic Skills and Attitude towards SMEs Export

Figure 4. 14: Current technology



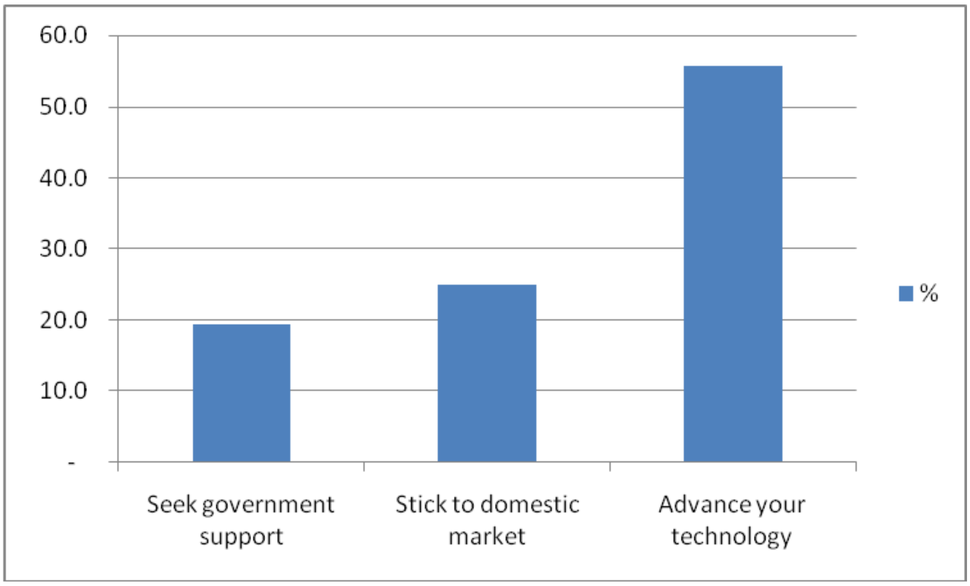
Source: Field data, 2018

Perceptions on the current technology uses in enhancing participation of SMEs in export market are being presented in Chart 4.4.1. The findings show that 50.7 percent of the respondents agree that current technology that is being used by SMEs can enhance participation in export markets while 49.3 percent on the respondents oppose that. This kind of perception has been contributed by the fact that current technology that is being used is still very low, with only some of the firms being able to adapt to some new technology depending on the nature of operations. Level of technology which is being used in the production is very important in the sense that it potrays the quality of products to be produced.

The findings give implications that for the SMEs to be able to engage in the export markets, among other factors they need to improve their technology by adapting to new technology like electronic sewing machine and automated food package equipment will enable them to produce more quality products that can compete internationally. These findings are consistent with findings from Grimsholm and

Poblete (2010) study that identifies lack of innovative technology as a barrier for SMEs growth.

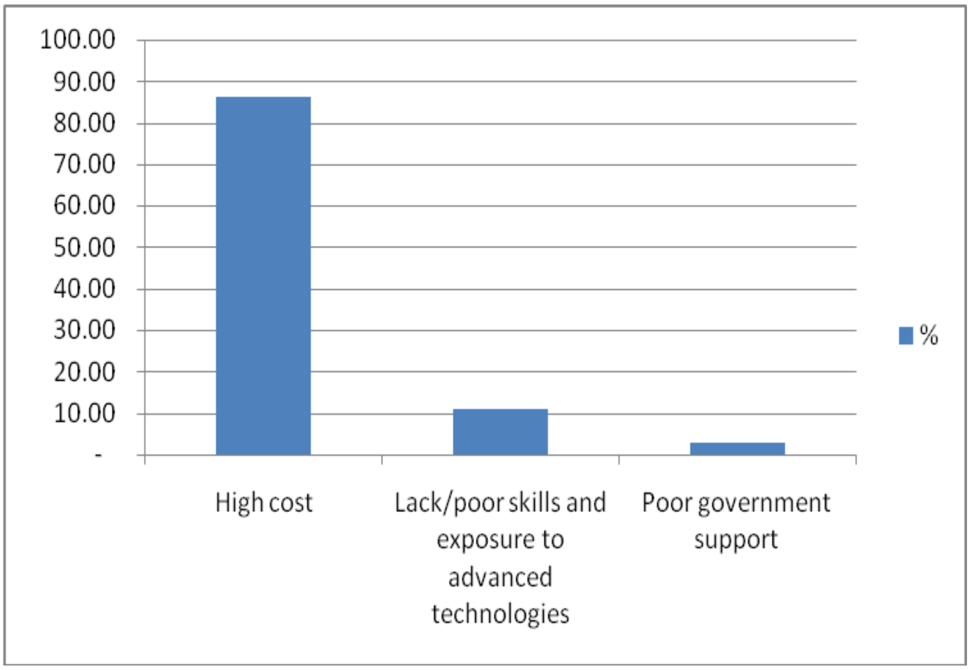
Figure 4. 15: Preferable strategy against current technology



Source: Field data, 2018

Chart 4.4.1 describes the strategies to be used when current technology cannot enhance SMEs participation in export market. The findings show that 55.6 percent of the respondents proposed the advanced in one's technology as a strategy to enhance export market participation. On the other hand, 25 and 19.4 percent of the respondents chose to stick to domestic market and seek government support strategies respectively as ways to enhance participation in export markets.

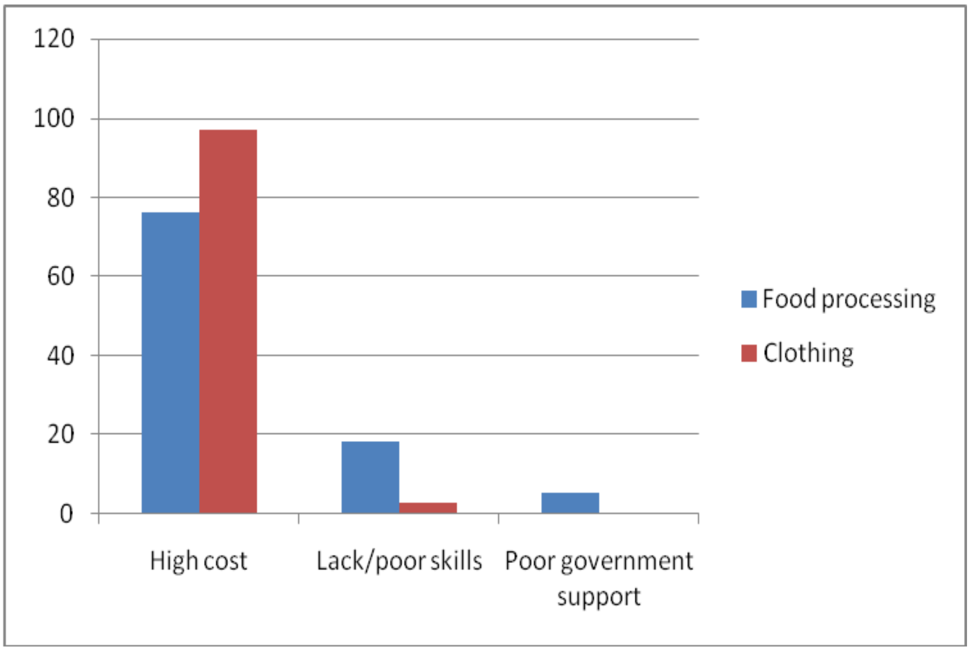
Figure 4. 16: (a) Factors hindering technological advancement among SMEs



Source: Field data, 2018

Findings from Chart 4.4.3(a) show that 86.3 percent of the respondents have reported high cost to be a number one factor that hinders technological advancement among SMEs. Furthermore, the findings show that 11 percent of the respondents have reported poor skills and exposure to advanced technologies as a factor hindering to technological advancement among SMEs while 2.7 percent have reported poor government support hinder technological advancement among SMEs.

Figure 4. 17: (b) Factors hindering technological advancement among SMEs Clothing Vs Food processing

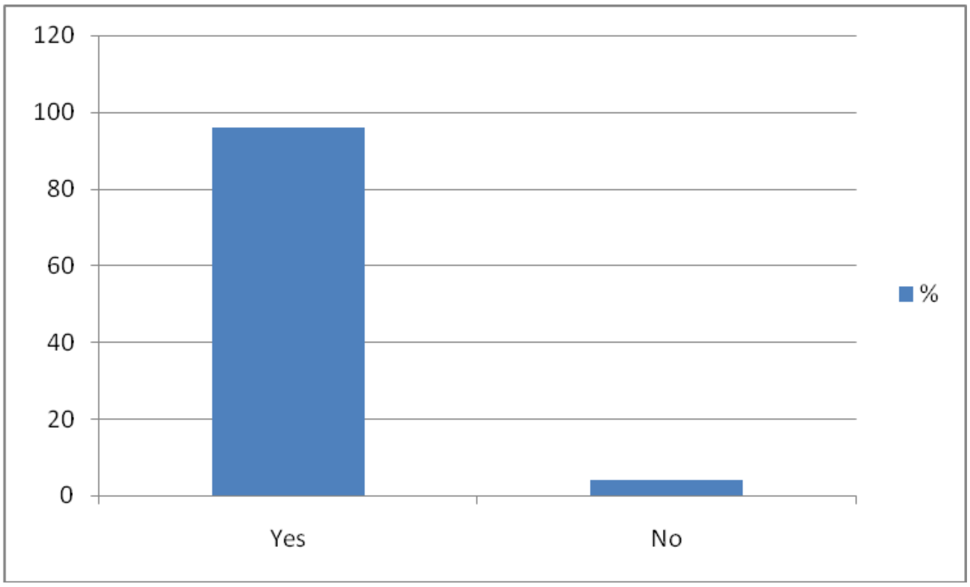


Source: Field data, 2018

On sector wise, the findings from Chart 4.4.3 (b) show 97.14 percent of the respondents report high cost to be the main factor hindering technological advancement among clothing firms. With respect to food processing industry, 76.32 percent of respondents report high cost as the main factor hindering technological advancement. This suggests that,still high cost stand as the main factor hindering technological advancement among SMEs despite of the category which firm is operating in.

This entails that SMEs need to advance their technology so that they may be able to participate in export market efficiently, but they are constrained by the costs. Therefore, in order to enhance firms technological advancement, conducive environment need to be set by the government such as subsidization of the new technology machinery and equipment so that SMEs may afford it.

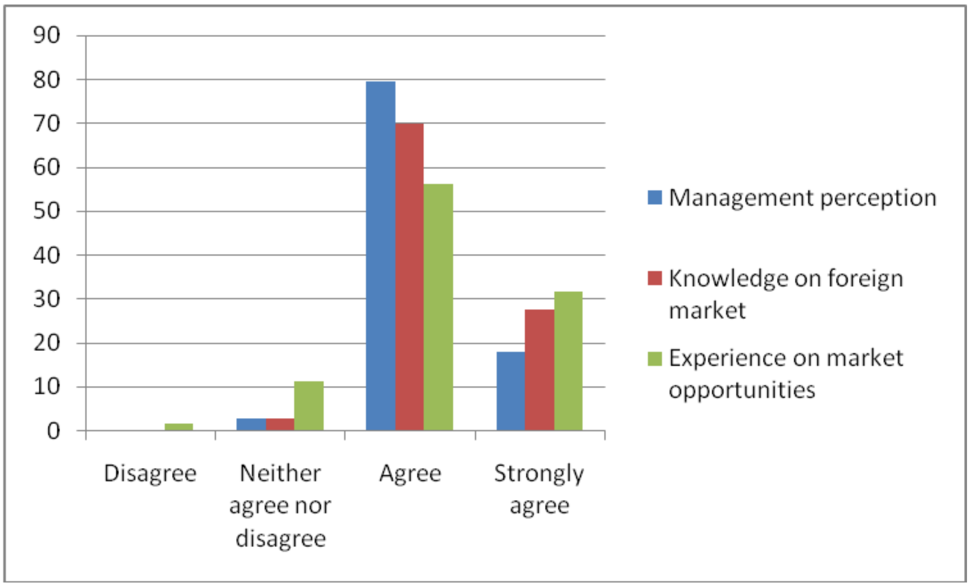
Figure 4. 18: SME’s importance on export market engagement



Source: Field data, 2018

96 percent of the surveyed respondents as per Chart 4.4.4 show that it’s important for SMEs to engage in export market while 4 percent find it otherwise. These findings come from the fact that export markets open more opportunities for the local SMEs such as a room for technological diffusion from abroad and increase in country’s revenue through foreign currency. With more SMEs engagement in export market implies that there will be growth in market base, technology diffusion, more employment opportunities, more incomes to people, rise in living standard of people thus country’s economic growth.

Figure 4. 19: Opinions on management skills and attitude on foreign market elements

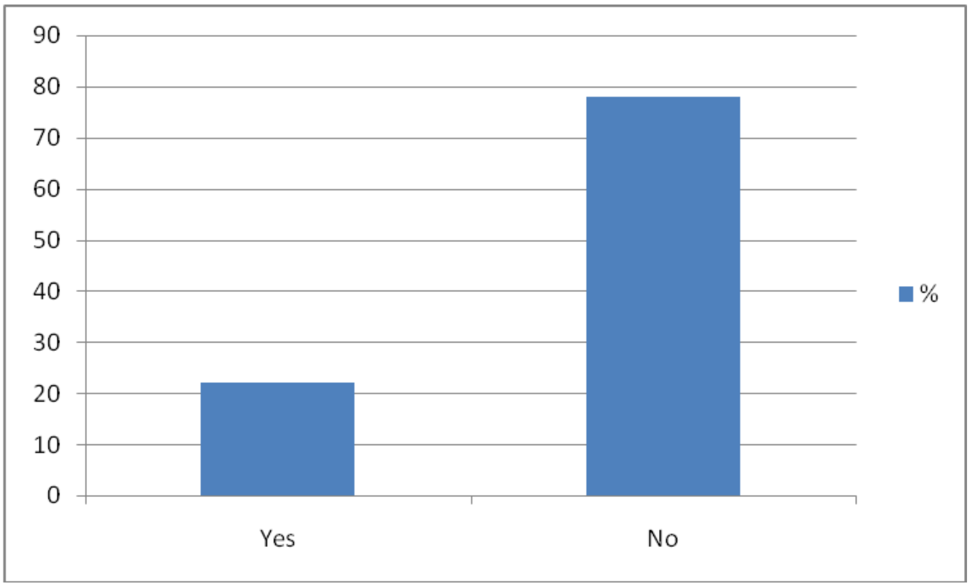


Source: Field data, 2018

Table 4.4.5 findings show that more that 97 percent of the respondents agree that management perception towards changed environmental conditions is necessary for SMEs to enter into foreign market. Furthermore, the findings have shown that 97.3 percent of the respondents have agreed that managers with knowledge on the foreign market speed up SMEs to participate in export market while 87.7 percent of the respondents have agreed that enough experience on market opportunities enhances international involvement of SMEs. Therefore, management skills and attitude on foreign market elements plays a critical role in influencing SMEs to participate in export market. The finding are also supported by Okpara et al (2014) conducted a study in Nigeria examining factors hindering export development for the SMEs. The study found that the main barriers to export include the following; lack of export market knowledge, lack of export finance, general lack of knowledge on how to export, lack of knowledge on export assistance available, lack of qualified personnel to plan for export market.

4.5: The Role of Networking in Promoting SMEs export

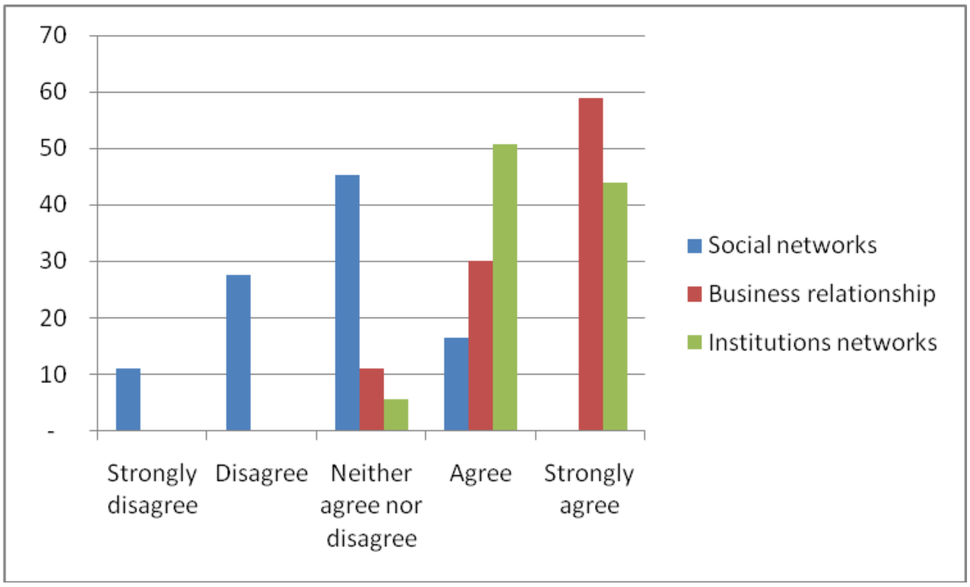
Figure 4. 20: Awareness on local agency dealing with SMEs export performance



Source: Field data, 2018

Findings from Chart 4.5.1 show that 78 percent of the respondents do not have awareness on the local agency dealing with export performance in the country unlike 22 percent with such awareness. This may have been contributed by the fact that most of the SMEs do not participate in different platforms such as in the capacity building trainings and workshops on SMEs export performance provided by the government agencies since these platforms could offer such information. Therefore, this lack of awareness may result in failure of SMEs to participate in export market and sometimes failure to get good results from participation in foreign market since they are not aware of such crucial institutions that could be of great help to them.

Figure 4. 21: Opinions on the availability of network elements and their influence on SME to participate in export market



Source: Field data, 2018

Chart 4.5.2 presents the opinions on the availability of network elements and their influence on SME to participate in export market. The findings show that 94.5 percent of the respondents agree that institutions networks bridge the gap between partners and allow rapid SMEs to participate in export markets. In addition, 89 percent of the respondents agree that business relationship builds commitment and plays a vital role in SME penetration to international markets while 45.2 percent of the respondents neither agree nor disagree that social networks create trust and facilitates entry into foreign market. As per above findings this prove that availability of networking play the big role to influence SMEs to participate if export market.

CHAPTER FIVE

CONCLUSSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is comprised of three sections. Section one provides the summary of key findings of the study. The second section draws up some critical policy implications based on the results, whereas, the third section suggests areas for further developments

5.2 Summary of the study

The general objective of the study was to examine factors that affect local SMEs participation in export market using primary data from clothing and food processing SMEs. Primary data was collected from 73 respondents (SMEs) that are engaging themselves in food and clothing processing business that are based in Dar es Salaam. Data entry, cleaning and data analysis was performed using SPSS software.

The first objective was to determine the role of domestic competition in promoting SMEs export. The findings from the study show that domestic competition plays a big role in promoting SMEs export since it was found there is a highly level of competition among SMEs in globalization of market, market access and technological development. On the other hand, the findings show that there is average level of competition in market share and production among SMEs. Furthermore, the findings showed that shifting to export market is the measure that most SMEs consider in order to survive in a competitive market.

Also the finding gives another picture that some of the SMEs due to domestics competition they decide to invest in advanced technology and change production line instead of engaging in export market. This needs more research in future.

With respect to second objective of the study, to analyze the government support role in promoting SMEs export in the country. It was found that financial scarcity, poor program support and bureaucracy are a main factor that hinders SMEs participation in export market as far as government is concerned. The findings go further and show that most SMEs do not attend capacity building trainings and workshops provided by the government, and those who attend do it occasionally. Also the findings suggest that government support indicators have great influence on SME's participate in export market.

In addressing third objective of assessing the SME's domestic skills and attitude towards foreign market, the findings shows only 50 percent of respondents agree that current level of technology can enhance SMEs participation in export market, and mostly indicated advance in technology can be a best strategy they prefer to enhance their participation in export market.

Furthermore, the findings show that high cost is the main factor that hinders technological advancement among SMEs and more than 90 percent of respondents found it important for SMEs to engage in export market. The finding further shows that most respondents agree that managerial skills and attitude on foreign market elements have strong influence on the participation of SMEs in the export market.

Reflecting on the role of network in promoting SMEs export, the findings show that 78 percent of the respondents are not aware of local agency that deals with SMEs export performance, while none have awareness of any international agency that deals with SMEs export performance. On the other hand, the findings show that 94 percent of respondents have never attended capacity building trainings and workshops on SMEs export performance. Furthermore, the findings show that more than 80 percent of respondents have agreed that network elements such as business relationships and institutions networks have great influence on SMEs to participate in export performance.

5.3 Conclusion

The study focused at examining the factors that affect participation of local SMEs in export markets in Tanzania. The study has been able to address the four specific outlined objectives from the primary data collected from the 73 food and clothing processing enterprises in Tanzania.

Based on the study findings, local SMEs participation in export market is a factor of many variables interlinked together, ranging from domestic competition, government support indicators, domestic skills and attitude towards foreign market to role of networking in promoting SMEs export.

The study concludes that domestic competition plays a critical role in promoting export market.

Furthermore, from the findings the study concludes that financial scarcity, poor program support and bureaucracies as the most factors that hinder SMEs participation in the export market. Also failure to attend capacity building trainings and workshops on SMEs export performance provided by the government put these firms at the margin when it comes to participation in export market.

Government provide several supports to SMEs sector and one of them being credit guarantee and advice from international agency like Chamber of commerce or Tan trade but most of SMEs are not aware of the support given by the government which should be the concern of the government recently. Furthermore, Tanzania SMEs policy of 2002 largely focus on improving performance of SMEs in domestic market as a means of reducing poverty which lead to many SMEs to focus on earning income from their business rather than focusing on growing their business to international arena.

Furthermore, the study suggested that the government support indicators have contributed much to the external performance for SMEs. On assessing SMEs domestic skills and attitude towards foreign market, the study concludes that current technology is not enough in enhancing participation of SMEs in export market. It also points out that a high cost is the main factor that hinders technological advancement among SMEs. It also concludes that managerial skills and attitude towards foreign market elements have strong influence on SMEs to participate in export market.

On examining the role of networking in promoting SMEs export, the study concludes that lack of knowledge about the local and international agencies that deal with SMEs export performance have marginalized local firms on participation on export market.

Limitation of the study

Due to financial constrain and time the study was able to survey 73 clothing and food processing firms successfully out of the targeted sample of 100 firms. Further the study was only based in Dar es Salaam city, of course which is the capital business hub of the country leaving other regions out.

The study also focused on the clothing and food processing firms, leaving other manufacturing firms such as leather and shoes manufacturing firms, cement and building materials manufacturing firms, medicines producing firms, soap and detergents manufacturing firms, just to mention a few.

In regarding of the data collection, Though official introduction letter was shown and purpose of the study was clearly explained before filling the questionnaire, some respondents, after data collection believed that the research was beyond academic purpose. And that was a limit to manage respondent's bias. The researcher could only insist on the objective of the study and it was re-emphasized progressively at each survey.

The researcher believes that these factors did not take away from the study the reliable and valid results.

Policy implications and Recommendations

The study has been able to increase value on the pool of knowledge on examining the factors that affect participation of local SMEs in export markets in Tanzania. Export market is of great importance as it entails the amount of revenue that a country earns from export of goods and services.

These recommendations were discussed basing on study variables which were domestic market competition pressure, government support, management skills and attitude on international markets and availability of domestic network as key factors that affecting participation of local SMEs in export markets, a case study of clothing and food processing.

Domestic market competition

Study confirmed that domestic market competition pressure is one of the factor for local SMEs to participate in export market. The recommendations is that declining profit margin, falling market share and increase in competition in domestic market be utilized in underpinning future studies and providing other researchers with the direction they need.

Also SMEs should seek for foreign market for their products, when domestic market is either saturated or there is intense competition. And nowadays selling abroad has been made easier due to improved development of EAC (East African Community) and availability of special treatment from developed countries.

Government Support

SMEs to go in export market needs to take a look on how Government support influences SMEs decision to export. This researcher has identified this overlook by many researchers. The researcher recommends that in context of local SMEs to participate in export market academics needs to note that SMEs decision to go for export market is influenced by government support. SMEs need to be informed on the foreign markets availability and Government credit guarantee. Government credit guarantee to SMEs from financial institutions can help to compensate stringent procedures of getting credits from these institutions. Likewise, low interest loans can help SMEs to finance their business and to compensate with high costs associated with engaging in international business, transport costs being a case.

In the case of policy makers, the researcher recommend to review their SMEs policy to incorporate strategies to assist SMEs to sell cross borders, this is crucial it will help the expansion of their market base. Through training, seminars, conference and awareness programs through media, without forgetting increasing level of credit guarantee to SMEs. All these will wake up more SMEs to take advantage of government support and market opportunities in foreign countries. Since more than 95% of businesses in Tanzania are made up of SMEs, poverty will be reduced to a large extent.

Management Skills and Attitude

SMEs should form allies with large businesses engaging in international business like Bakhresa Companies, this will help them to acquire experience which is crucial in the engagement in international business and also increase their network in the foreign borders. Furthermore, SMEs should form allies between themselves in domestic market to acquire economies of scale before moving to international business. This will help in sharing of knowledge and experience on foreign markets with SMEs already in international business

The study further recommends that there should be a model set by government to subsidies the SMEs in acquiring advanced technology since it is a best strategy for the SMEs to participate in export market. Through program of subsidizing technology to firms, more SMEs can produce quality products as high costs is the main critical factor that hinders technological advancement. Advance technology will enable SMEs to produce quality products that may compete internationally and gain more market share.

Availability of Network in Domestic Market

Most SMEs lack resources to be able to perform in international business, that's one of the reasons for many SMEs to remain in domestic market. And network is a solution to the lack of resources.

Rutihinda (2008) mentioned, as the firm takes advantage of its established relationships in the industrial network, the SMEs may be able to overcome its resource constraints by using its partner's resources. A firm's relationships with other firms having different kinds of resources in the market place contribute to its internationalization process. Keh et. al. (2007) thought SMEs are interested in information on their customers and competitors in order to differentiate their offerings and positioning, thus enhance the network. So the researcher recommends that firms should form and use networks available in domestic market which will help them to internationalize and compete in the foreign markets.

Direction of Future research

This research has identified some areas of future research. One study could be the performance of local SMEs in international business comparing to their corresponding performance in domestic market. This can be studied in terms of revenue or profit.

Another study is in depth analysis of several indicators of domestic market competition pressures, government support, management skills and attitude and availability of network in domestic market and understanding how local SMEs are influenced to go for export markets by these variables.

Finally, the study has examined the factors that affect participation of local SMEs in export market in Tanzania with evidence from clothing and food processing SMEs. Therefore, the researcher recommends more studies to be conducted in other processing enterprises since manufacturing sector is so large. This may shed more light on the factors that affect participation of local SMEs in export market.

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